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BANKS AND BANKERS.

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BANKS

AND

BANKERS.

BY

DANIEL HARDCASTLE, Jun. [pseud.]

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TO

GEORGE CARR GLYN, ESQ.

THE FOLLOWING PAGES

ARE RESPECTFULLY DEDICATED,

BY

HIS OBEDIENT SERVANT,

THE AUTHOR.

PREFACE.

THE object of the following pages is to explain, in a plain and familiar manner, what money, Banking, and currency, properly speaking, are; and how it behoves us to deal with them at present in this country. I conceive that this object may be realized in a manner the most satisfactory, and that the information conveyed will be rendered valuable to the greatest number of persons, by giving an intelligible account, clear of all technical expressions, of the doctrines of the leading authorities upon the subject, the different systems propounded, and the results of the efforts that have been made to carry them into execution.

A volume of this description, if correctly written in a readable style, must, I apprehend, be acceptable to people of all ranks. The matters it relates to intimately concern all our great masses, agricultural, manufacturing, and commercial; they are not only of the highest importance in their bearings and effects, but they have a particular interest even as subjects of abstract inquiry. If to these considerations we add another,—namely, the ignorance so generally and so strangely prevailing amongst us upon the question of money, banking, and currency, enough, perhaps, will have been premised to indicate that the work will be likely to find many readers, if justice be done to his undertaking by the author.

As it may be satisfactory to state what the contents will embrace, a synopsis of them is subjoined. There will be,—

1. An account of Banking generally, and of the trouble Parliament has taken, for some years, to enlighten the people respecting it.

2. A notice of the private Bankers of London, and their present system and condition.

3. An abstract of Adam Smith's Theory of Banking and Currency (which will be adopted as the best that has been given), and of the encroachments made upon it.

4. Explanations of the doctrines of the Bullion Committee of 1809, and the points in which that body differed from Adam Smith—Mr. Ricardo's theories respecting an improved currency—Peel's Bill—The resumption of cash payments in 1819—and the failure of Mr. Ricardo's plan of a gold-bar standard in lieu of coin.

5. A sketch of the fluctuations in the currency, produced by the inconsistent functions imposed by the Legislature upon the Bank of England; and particulars of the series of panics by which the country has been so heavily distressed since 1797.

6. Examination of Mr. Samuel Jones Loyd's doctrines for regulating the issues of the Bank of England according to the foreign exchanges; and the effect produced by the trial already made of that experiment.

7. Sketches of the history and prospects of the Bank of England—Of the growth and comparative decline of the private Banking system; and of the rise and progress of joint-stock Banks.

8. An account of Banking in Scotland and Ireland.

9. The question of a specie standard—Gold and silver—the proposed plan of one Bank of issue; and outlines of a new and improved monetary system.

This summary, it will be perceived, comprehends the leading topics into which the great subject of money divides itself; and as cardinal principles and dominant facts will be introduced with a running historical commentary, it will probably be felt that there is room to make much that is in itself crude and dry, not altogether uninteresting, by the way in which it is treated. One promise the writer ventures to make, and with it to conclude this preface. The same information will not be found in any one extant volume. He has been induced to prepare these pages for the press, because he has seen that

the published accounts of our monetary vicissitudes and changes—the theories and experiments of late years—are distributed through an infinitude of tracts, pamphlets, separate volumes, and parliamentary reports, the whole of which are rarely accessible with ease, and, even when accessible, do not present the most convenient or complete sources of information. This fact suggested the idea, that a manual of the leading topics connected with Banking and the Currency, comprising an epitome of the doctrines that have been broached, and the various trials that have been made, during the period referred to, with the view of placing the money market in a good condition, would prove not altogether an unacceptable publication to practical men, nor an uninstructive one to Members of Parliament and others, whose province it will be, during this and the next session, to prepare themselves for legislation upon the subject.

D. H. Jun.

Westminster, April 4, 1842.

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BANKS AND BANKERS.

CHAPTER I.

Banking, every man's affair—Result of the pains taken by Parliament to enlighten the Public on the subject—The authorities differed in opinion before, and they differ still—Secret Committees—description of—Give no account of Bankrupt Banks—No rule of good Banking, and no exemplification of Banks that do well and Banks that do ill—Old Mr. Lefevre's definition of Banking to a customer with a bad memory—Great want of Banking accommodation in the spring of 1841—Contrast between the state of Banking now and that 30 years ago.

Banking, in a commercial community, is every man's affair. In the present relations of society it not only affects us one and all, more or less directly, but is so potent and penetrating that there is no escaping from its influence, or getting on without direct and intimate connexion with it. More truly than nine out of the ten millions of things to which the quotation has been applied — " 'Tis like the

air we breathe—if we have it not, we die." It pursues us in the streets, follows us to our homes, pierces each household nook and cranny, embraces our whole existence, public and private, and constitutes the very soul and being of all our pursuits, interests, relations, undertakings, dependencies, and possessions. What is there in all this broad and stirring land of ours that a man can begin without a Bank; and what, however well begun or conducted, that will not, when the Bank refuses accommodation, at once stop, sink, and be for ever extinguished? There is nothing of which we can treat—nothing upon which we can act—nothing to which we can allude—which is not closely mixed up and deeply compounded and amalgamated with it. Moot the Corn Laws *pro* and *con;* inquire into commercial or manufacturing distress; lecture upon bubble companies; jump into the meridian of the speculative mania of 1825 and 1836, or plunge into the cold panics that followed those extremes; discourse, in short, as you will, of prosperity or of ruin; in one and all you find the same general influence actuating and over-ruling every possible state of things—it is Banks and Bankers—the currency, or circulating medium of the country. The great modern specific against all

sorts of oppression—passive resistance—is, here at least, of no avail. It is equally vain to think of making head against it, or of subsisting without some compromise or understanding with it. Need I observe how stringently it follows as a matter of paramount importance from all this, that we should have that well done, which, if ill done, no man amongst us, whatever may be his resources or abilities, can count upon doing well for any period, however limited? So much, then, for my case: it has one great attraction, a universal interest.

But there's the proverb—"Every one's business is no one's business."—This old saying is just as true when applied to Banking, as to any other thing on earth. We all know, feel, and confess by our conduct even more than by our words, that we must have Banking—be it good, bad, or indifferent; and yet the number of those is comparatively small, who give themselves any trouble about it beyond complaining every now and then that it is no better than it happens to be. It is notorious that the times, as to Banking, are sadly out of joint, and we are constantly exclaiming against them; and yet, most pertinently may it be asked, in what are we gainers by the outcry we make?

At the same time, it is quite true that Parliament has been at great pains, and undergone very protracted labours from time to time to enlighten the public upon Banking; but it is equally true that the public does not appear to be much wiser upon the subject than it was when left to itself to gain information as it could. The authorities used then to differ widely amongst themselves in opinion as to what was right and what was wrong, and they differ widely still.

Of late years we have had a parliamentary committee upon Banking almost every session. All sorts and degrees of Bankers, bill-brokers, and book-makers upon the subject; cavillers and commentators, theorists and doctrinaires, have been courted and consulted; huge folio after folio has been printed and published at the public expense; —we are told, moreover, that these volumes have been sold, and we have, therefore, a warrant for assuming that they have been read. Yet what, after all, is the result? We are worse off than ever. This is no exaggeration. The monetary affairs of this country have never, within the memory of man, been in a state of more pungent difficulty than they have been during the last twelve months. You may read yourself blind upon

Banking in the library of either House of Parliament, and when you have lost your eye-sight, you will rise from the sacrifice with few clearer perceptions than you had before you devoted yourself to it; unless, indeed, it be that you then thought the case dangerous, and you will now, perhaps, feel that it is desperate. *Voilà tout!* I have my own way of accounting for the small harvest that has been reaped from all the seed that has been sown; it is this—one half of the inquiries that have been instituted have gone far wide of the mark. Theories have been abundantly discussed, and practice greatly over-looked. Put any ten men of business you can bring together—provided always they be not members of Parliament—down to a table to talk of Banking, and they will in ten minutes' start half-a-dozen points, not one of which has been sifted by all the committees of all the Sessions that have taken up the subject since the great Bullion Committee of 1810. That made the first beginning of the never-ending toil and trouble. We have now for thirty years been laying great stress upon eventualities, as Monsieur Thiers would call them, and shutting our eyes all the while to distinct realities, in which the whole pith and marrow of the question are compressed.

For instance—look at the distant and obscure manner in which the two millions and a half loan borrowed by the Bank of England from the Bank of France is alluded to in the Report of 1841. I need not remark how conclusive is the nature of the evidence, afforded by that fact, of distress and mismanagement upon the part of the Bank of England; and yet most sparing is the information either sought by the committee or supplied by the Bank respecting it. On all sides, in short, there seems to have been but one anxiety, and that was to keep the transaction as much a mystery as possible.—Again, in all the returns upon Banking before the two houses of Parliament, there is no such thing as a complete list of the Banks that have failed, while Lords and Commons have been inquiring about a variety of things presumed to have something to do with their failure. Legislators have been delivering unprofitable speeches, and committees have been making endless reports, leading to nothing, upon the dangers to which the country has been exposed by its vicious system of Banking—Banks, meantime, have been breaking by the score, and money has been lost in millions; but the total number of bankrupt Banks has never been returned, nor the sum of the losses ascertained, which has

from year to year been entailed upon the trade and commerce of the country. Not only has this not been done, but the particular cause of the failure of a single Bank has never once been investigated and exposed, nor has a word of censure fallen upon the many firms by which the public have lost millions of money. The anatomy of the subject has evidently been either too powerful for the nerves, or too intricate for the attention of members of Parliament, who have neither had the skill nor patience to probe the disease to its core, or the courage to describe in detail the ravages it has committed upon the body politic. The nature and amount of the mischief done was about the first thing to be ascertained, and it has been the only thing never considered. Had the evil been fairly traced, and honestly laid bare, the nation would have risen long ago as one man, and insisted upon a searching change. Our legislators have treated Banking as the doctors are sometimes said to treat a rich patient—they have been most anxious to keep the subject alive for the sake of what they can make by it, and have never insisted upon a radical cure, lest it might detract from their practice.

To my mind, a principal cause why these re-

iterated examinations and various researches have been so barren of result, is to be found in the way they have been conducted. They have been invariably the work of a *secret* committee. Various reasons, no doubt, have been assigned for this course; but amongst them there has not been one to show that secrecy is ever proposed, in or out of Parliament, unless when it happens to be greatly to the interest of some one party or person concerned, that something should be concealed: and the history of all secret committees goes to prove in a very clear manner that in nine cases out of every ten the interested party carries his point. One and all, as the Irish say, they are "cugger-mugger" committees.

In the first place, the Government has always been disposed to blame the Banks, and the Banks to blame the Government, and each with reason. Accordingly contending parties and rival interests necessarily became nicely balanced in the composition of the inquiring body. Such being the case, the leading movement is pre-arranged—all is fair to the eye, and as plausible as old Sin seducing inexperienced beauty. Evasion and deceit follow quickly after, and the bubble bursts in blank disappointment. Nor is it in the nature

of things that the case should be otherwise. Some dozen gentlemen, or so, and many of them not the best informed upon the matter before them, are shut up in a room by themselves, with their minds filled with ideas of the importance and delicacy of the trust reposed in them. Afraid to commit themselves, or loth to do harm, the select body naturally falls into the hands of some subtle spirit —the old fox of the litter, who manœuvres and manages just as suits his own views of policy and discretion. He has the art to begin by making the general tendency of the inquiry run in the direction of public opinion. A rumour of this gets abroad; the general anxiety is appeased; the people fancy they have got an honest committee; and abiding the issue in content, believe, good credulous creatures as they are, that for once all will end right. The old fox now has the field entirely to himself; it requires little of his practised art to prevent the examinations from being too searching, or the details from being too specific. His proceedings are concealed from observation; no publication takes place until the session has ended, and another opportunity of pushing the case home has been lost. Thus it is that inquiry drags its slow length along; and thus it generally takes one

year to point out and rub up the omissions and perversions of the year before. Every stage in the progress of the inquiry is imperceptibly resisted, all points have to be formally invested, and one by one are only carried at last by besieging the committee, and battering it into extremities. Were the proceedings public—were the newspapers allowed to report the examinations—the strong good sense and quick intelligence of the community would be brought to bear upon the subject, and the heavy labour of many years would be easily done in a perfect manner in as many months.

There has been another capital omission in these proceedings. No man at all competent to answer the question can hesitate to define what Banking is; but these committees have neither affirmed the definition, nor informed us, except in a loose and very general way, when the Banks act up to it, and when they do not. Banking is a very simple thing, and it is most simple when best done:—it is the receiving of one man's money, who happens to have more than he wants, and the lending it out to another man, who, happening to have less than he wants, is willing, therefore, to pay interest for the loan. That interest is the Banker's profit; and the loan upon which it accrues cannot, I may

add, by common usage and general consent, be made with propriety except on bills of exchange. In such a transaction, capital on the part of the Banker, or money of his own, does not appear to be required; it is nevertheless indispensable. The first man who has deposited his money may have occasion to draw it out before the bills of exchange, upon which it has been lent to the second man, fall due. In that event, and it is not an unfrequent one, the Banker falls back on his own capital, which, if he has foresight and understands his business, he will have invested in government or other public securities immediately convertible into ready money. Hence another rule in Banking—a prudent Banker will never swerve from one of two rules—he will either never discount with his capital, but with deposits only; or taking the converse of that, he will discount with capital and hold deposits in reserve. If he discounts with deposits and capital also, he must always be on the verge of ruin.

The way in which a Banker deals with his deposits is equally simple. Let us put a case:—Suppose the amount of money deposited in a Bank averages 100,000*l.*: the Banker will soon learn from experience, that a comparatively small portion of this sum, retained in his chest, will suffice to meet the

current drafts of the depositors to whom it belongs. Every day some customers will diminish the amount to their credit, by drawing checks against it; while others will add to their balances, by paying in more cash. The difference consequently between the total sums drawn out, and the total sums paid in during the day, is the amount the Banker will have to produce on his counter. It has been computed that in ordinary times, one-tenth, and occasionally even so little as one-twentieth part of the whole deposits lodged, will be enough for a Banker to keep by him. It follows accordingly, that of 100,000*l*. deposits, 10,000*l*. will be retained in specie, to meet the day's current demands, and the remaining 90,000*l*. will be invested in stock, Exchequer Bills, &c.; or in discounting good mercantile bills, the interest on which will constitute the legitimate profits of the business thus conducted.

Old Mr. Lefevre, the father of the present Speaker of the House of Commons, and the principal founder of Curries and Co.'s house on Cornhill, illustrated this theory of Banking one day to a customer in a significant manner. The customer in question was one of those men who find it very convenient to have bad memories. His account was almost always over-drawn, and whenever

spoken to upon the subject, his answer was the same—he really had forgotten how it stood. At last Mr. Lefevre, who had watched his opportunity, caught him one day at the counter, and said to him, "Mr. ———, you and I must understand one another something better than we seem to do. I am afraid you don't know what Banking is; give me leave to tell you—It's my business to take care of *your* money; but, I find, you are always taking care of *mine*. Now that is not Banking, Mr. ———; it must be the other way: I'm the Banker, not you;—you understand me now, Mr. ———; I'm sure you do[1]!"

According to the definition just given, Banking would seem to be a very simple operation, and easily susceptible of good and profitable manage-

[1] Mr. Lefevre, though a very silent and reserved character, was not without his vein of sly humour. One day he happened to have at dinner a great talker,—one of those monstrous bores who *will* speak always without ever saying any thing worth listening to; who seem to think it an essential condition of existence that a man should never cease to hear the sound of his own voice, and who continue talking incessantly, as if the hidden principle of perpetual motion lay in the tongue. After enduring this volume of sound signifying nothing for some time with exemplary patience, Mr. Lefevre, to the astonishment of the company, very quietly suppressed the nuisance, by taking advantage of a short pause in monopolylogue, and simply observing,—"You need not talk any more, Mr. ———, *if you don't like it.*"

ment. The reverse, however, generally turns out to be the case. It is so very easy, that no one seems to conceive he can go wrong with it. Our state of Banking is bad in the extreme; it has been every thing by turns but what it ought to be, and nothing long. It is not only bad in itself, but it communicates evil to everything around it. There is no trade, manufacture, profession, or condition of life, that has not suffered from it. It is an epidemic that arrests and afflicts all classes; a plague that corrupts and kills high and low, poor and affluent, without distinction :—a thousand incidents have taken place in the city within a year, which exhibit our monetary affairs in a most deplorable condition, but they will not be brought before Parliament. The secret committee system will not permit it. I have seen, last spring, a bill-broker go from house to house of an afternoon with the bills of a country Bank, accepted by first-rate firms in Lombard-street, and cash was not to be got for them at five per cent. interest and one and a half per cent. commission. I have known, about the same time, a man with 10,000*l*. exchequer bills, unable to raise 5000*l*. upon them at his Banker's, and that Banker one of the best in Lombard-street. I have known a city Banker,

at the beginning of last year, confess in a mixed company that he would be glad to allow ten per cent. for money, for six months to come. At the same time, I have known another Banker in Lombard-street pay eight per cent. for an advance of money on exchequer bills; and ten per cent. to be charged on the discount of a bill of exchange, the acceptor of which was then, and still is, a Bank director!

These are facts that tell the true story of our Banking system—these are the realities that prove our distress—these are the circumstances which Parliament ought to establish in evidence, and put upon record as a warning to merchants and manufacturers; these are the evils for which we have a right to demand a cure; and yet not a trace of them is to be found in the big book ordered to be printed by the Commons at the end of the session; they will remain unexplained, unaccounted for, and unprovided for! And yet these are the things, which, if they continue much longer, will seal the fate of this country, and put a period to our career as a great commercial community: for no man can contend against them. While they last, credit is prostrate, labour fails of its market, and property almost ceases to be wealth.

If we contrast this state of hardship with that prevailing thirty years ago, we shall wonder how the same country, convulsed by two such extremes, has been able to maintain its position in the scale of nations. During the war of the French Revolution, as it is called, there were neither bounds nor limits to credit; money flowed through all the various channels of commerce as rapidly as mountain-streams in wet weather tumble into the plains below; the Bank of England, unrestrained by a liability to pay in specie, diffused its notes with a prodigal hand; and every man who could get a bill accepted could get it cashed. He who made thousands one week was in the Gazette next; and, before he had got his certificate, stood forth adventuring his thousands again as confidently and boldly as if he never had been a loser. Downing-street and Threadneedle-street pulled wire for wire; and the people danced and capered like puppets to the music of a barrel-organ. The minister had hundreds of millions to borrow in loans, and tens of millions to raise in revenue; and loans could not be raised, nor taxes paid, unless trade was lively and the circulation full and free; and accordingly, when the prime minister winked his eye, the Bank governor nodded his head, and bank-notes were dealt out like cards at a

gambling-table; every man who would give an I O U to the marker, being at perfect liberty to play the game he pleased, and take his chance of ruin in the general sport.

But, as the Frenchman says, *Nous avons changé tout ça.* Thirty years ago we were surfeited into a fever, and now we are fallen upon Lenten times, and made to fast until we are half-starved. There is a great cry raised about the strong tendency of the times to Romanism; but this is the most Roman Catholic sign of the times I know of, and, in my opinion, it is the worst we could fall upon. There is room to doubt whether the country has a constitution strong enough to bear so severe a change. Very fine things are promised in the next world to penance and mortification here; but the latter, meritorious though they be, seldom fail, by a happy adaptation of means to an end, to cut a man's career rather short in this world. The sinner who has lived high in the hey-day of youth, when he turns serious, and, repenting him of his gaieties, practises an abstemious rule of life, is sure to waste away in flesh, and soon makes food for the worms. While he is taking his final leave of the stage of pleasure, never to be renewed again, the doctor and the priest are at issue,—the one persuades, the other

dissuades; and the penitent dies, if he is sincere, with this consolation,—he has the priest's word to assure him he will live for ever. Be that as it may, I am of the doctor's way of thinking; for besides being not in the least irreverent and more human than the other, it has this decided advantage,—it is reasonable in either alternative. The priest cries, "Live for ever!" "Agreed," says the doctor; "but first live where you are while you can; for you know the worst of this world, which is more than you can flatter yourself you do of the next."

But this is playing truant with the subject. There is, unfortunately, no euthanasia in Banking, no spiritual future for lost money. When a Bank dies, the Banker goes through the Gazette; and however he may become a nine days' wonder in consequence of the millions for which he has failed, he will abandon all ideas of immortality the moment he crosses the muddy puddles of Basinghall-street, with an official assignee as the Charon of his passage.

CHAPTER II.

Bankers of the old school and the new—Old Mr. Fuller and the pint of porter—Messrs. Denison, father and son—Spirit and wealth displayed by the latter in the case of the Bank of Manchester—Messrs. Jones Lloyd, father and son—Barclays—Smith, Payne, & Smiths—Sir R. Arkwright, the richest man in the kingdom — Coutts — Glyns —The peeress Bankers—Duchess of St. Alban's and Countess of Jersey— Gradual decline of private Bankers, and increase of joint-stock companies.

The first Bankers of whom we have an account in England, appear to have been neither a prized nor respected race of men. Jews, Lombards, usurers, and extortioners, were our primitive traffickers in money, and made the trade universally hateful and oppressive, while they earned—somewhat laboriously—for themselves a character little short of infamous. The foreigners who, from the earliest period, usurped the principal share of this business, were gradually joined by London goldsmiths, who rivalled, as a body, the vices of their predecessors,

while following in the wake of their mercenary career. Some few men, it is true, may have stood out from time to time, and distinguished themselves above the common herd of rapacious money-merchants, by their probity and moderation; but, as a body, it must be confessed that our primitive Bankers can only be described as decidedly a very bad set,—they were griping usurers, iron-hearted extortioners. At the same time, the reader of general history will not fail to bear in mind that eminent mercantile men were frequently in the habit of discharging some of the most important of the duties of our modern Bankers, such as furnishing pecuniary aid to the Crown at moments of public emergency, and this in a style of generous devotion above all praise. Such a merchant, for instance, was Sir T. Gresham, the munificent founder of the Royal Exchange; and such, though less distinguished, was Sir Josiah Child, in the profligate age of Charles II.

Apropos of Sir J. Child, I have to remark that he founded the firm which still retains his name at Temple-bar, and which, with the house of Willis, Percival, & Co., is considered to be about the oldest in London. Child's house is understood to possess documents which prove their existence as a Bank as early as 1663; since which they have never

moved out of the same premises. The books of Messrs. Hoare, in Fleet-street, are said to go back to 1680; and those of Messrs. Snow, in the Strand, to 1685. Stone, Martins, and Stone, of Lombard-street, claim to represent the house of Sir T. Gresham; but this, I presume, must be more a matter of tradition than of documentary evidence, and is principally noticeable as suggesting views of ancient descent upon the part of our commercial interests which will bear a comparison with the genealogy of many noble houses.

Fifty years ago there were fifty-six Banks in London, at present there are upwards of a hundred. But fifty years ago all the Banks in London were private Banks, with the single exception of the Bank of England; while at present the joint-stock Banks, home and colonial, form a considerable portion of our metropolitan monetary establishments. Of the fifty-six Banks in business fifty years ago, only twenty-four are now in existence; and yet the principal Banks, those possessing the largest property and transacting the greatest business, belong to private Bankers. The joint-stock Banks are increasing in number and solidity, but as yet they are, as to means, credit, and extent of operations, considerably re-

moved from the elevated position occupied by their seniors and great competitors, the private Bankers.

The London Banker of the old school bore little resemblance to his modern successor: he was a man of serious manners, plain apparel, the steadiest conduct, and a rigid observer of formalities. As you looked in his face you could read, in intelligible characters, that the ruling maxim of his life, the one to which he turned all his thoughts, and by which he shaped all his actions, was, that he who would be trusted with the money of other men, should look as if he deserved the trust, and be an ostensible pattern to society of probity, exactness, frugality, and decorum. He lived—if not the whole of the year, at least the greater part of the year—at his banking-house; was punctual to the hours of business, and always to be found at his desk. The fashionable society at the west end of the town, and the amusements of high life, he never dreamed of enjoying; and would have deemed it nothing short of insanity to imagine that such an act was within the compass of human daring, as that of a Banker's lounging for an evening in Fop's-alley at the Opera, or turning out for the Derby with four greys to his chariot, and a goodly hamper swung behind, and

well stuffed with perigord-pies, spring chickens, and iced Champagne.

They tell a story of old Mr. Fuller of Cornhill—the firm is now in one of the new Bank palaces in Moorgate-street, shining with plate-glass, polished mahogany, brass railings, and bronze lamps, a glance at which would have half-driven its head and founder into Bedlam—a story, I repeat, of old Mr. Fuller, which shows the extent to which economy was studied in the by-gone times of Banking. Mr. Fuller not only lived at his Bank, but, *horresco referens*, had his washing done at home. On such days, for many a revolving year, every one who passed his door at or about noon might have seen a single pint of porter placed at the foot of the staircase: that was the washer-woman's allowance. In process of time this constant pint, so long a pint, and only a pint, became a pot; and forthwith there was a sensation at the Bank, in Cornhill, and all along Lombard-street! The 12 o'clock pint of beer that had stood so long once a-week at Fuller's Bank had been increased to a pot! Every one talked of the event; and at last one customer—whether a dull, hard-headed, unhappy miser, or some solemn mocker, pleased to trifle seriously with the infirmities of poor human

nature, it may now be difficult to distinguish,—drew the senior partner's attention to the circumstance in this formal manner. Entering the Bank one morning, and finding the old gentleman fixed as usual, woodwork-like to his desk, as if he was a component part of the article, he drew near and began: "I have banked with you now, Mr. Fuller, for a good many years." Mr. Fuller bowed, not his head, but head, shoulders, and half his body, smirked, and replied, "Yes, many thanks for your favours; you have, Sir." "I have, Mr. Fuller," continued the other, "and have always felt great satisfaction in keeping my account with you until *lately*."

"Indeed, Sir," interrupted the old gentleman, with quick anxiety; "pray what has happened?—we are the same as ever."

"Pardon me, Mr. Fuller; I have noticed for many a year, that on a certain day in the week a pint of porter has regularly stood at the foot of your stairs. I always could tell, when I saw that pint, that it was washing-day with you, and greatly pleased I used to be at that proof of your economy: for, Mr. Fuller, the man who is entrusted with the keeping of other men's money, should know how to take care of his own; and

he cannot give any better or stronger proof of what he is capable of in that respect, than by being moderate and abstemious in his house-keeping. Therefore I was always, as I have just said, well pleased to see you were not wasteful with your washerwoman. I felt sure, while that continued, that my deposits in this house were safe—perfectly safe, Sir. (This was said with an emphasis and a look that set the tips of Mr. Fuller's fingers a-twirling, as if a small electric battery had been brought to play upon his nervous system.) But I see you are changing—you are breaking loose, Mr. Fuller; you now allow your washerwoman not a pint, but a pot of beer on washing-days; and I must say, Sir, that if you go on *doubling your expenditure* at that rate, it may be time for your customers to look after their balances."

Mr. Fuller, it is said, took this rebuke quite seriously, and with humble thanks, assuring his customer that business had increased—that more resident clerks were now employed than formerly—and that as there was more washing to be done, a helper had been hired, and an extra allowance of beer permitted. But this he promised to retrench, and he kept his word. The pot of beer was countermanded, the "standard" pint replaced,

and never afterwards exceeded during the old gentleman's lifetime.

There is another story told of this Banker of the old school. On the day he completed his eightieth year, he made mention of the circumstance at the Bank; and one of the clerks, more courageous than the rest, expressed a hope that they might have the pleasure of drinking his health and many happy returns of the day. To the general surprise, the old gentleman took the hint graciously, and said, "Well, we shall see." Just before dinner-time he withdrew for a minute or two, and returned into the office with a bottle of port in his hand, which he placed upon the challenging clerk's desk, saying, "Well, I have brought you a bottle of port wine to drink my health, as you wished it; it is good wine, and I hope, young men, that *you will commit no excess with it.*"

Old Mr. Denison was another member of the primitive school of Bankers, who made his own fortune, and was remarkable for his economy and strict attention to business. He lived for years at his Banking-house in St. Mary Axe, and was so thriftful as to go to market daily for his family. But if he looked closely after small matters, it was because he held everything subservient to one great one

—his bank and the accumulation of capital. Like most men who have a turn for economy, he was fond of boasting of the bargains he had bought. There has been many an anecdote related of the trouble it used to give the old gentleman to provide good things cheap, when his son, the present Banker, so long member for Surrey, entertained his west-end friends at dinner. For, with the honourable pride distinctive of most Scotchmen, old Mr. Denison not only took care that his son's education should be excellent, but gave him every fair encouragement to gain a footing in the best society; in which, by-the-by, he was as successful as he could have wished. He left a large fortune, which has been increased by his son, one of the richest of our London Bankers, and reputed to be worth nearly two millions sterling, the greater part of which he keeps always available for ordinary business.

The present Mr. Denison gave a striking proof of the extent of his resources, and the spirit and decision of his character, when the Bank of Manchester, in 1835, proposed to become a Bank of issue. That proceeding was highly distasteful to the Bank of England, which had previously enjoyed the exclusive circulation of Lancashire. Accord-

ingly the Manchester Bank was soon made to feel the displeasure of the Bank parlour. Its drafts and acceptances became a subject of comment; its London Bankers disagreed with the directors, and closed their account; its London bill-brokers sent them notice that there would be difficulties to encounter in getting cash for their bills in future. A series of adverse circumstances arose in rapid succession to embarrass and distress the company; they were full of anxiety, and reduced to extremities, when they had the good fortune to obtain an introduction to Mr. Denison. That gentleman, upon a brief statement of their case, and after satisfactory explanations as to their solvency, saw that a great principle was involved; that a cause in every respect national, and which the Government and Parliament had anxiously promoted, stood in jeopardy; and he brought the negotiation quickly to a favourable issue, by stating that he should be prepared with 600,000*l*. the next day to meet the demands of their agency, which, if necessary, he would increase to a million in the course of the week.

The particulars of this transaction ought not to appear, as they do, for the first time, in a page like this. Their proper place would have been in one or

other of the reports of some one of the half-dozen Banking committees that have sat, since they occurred, in the House of Commons. But, as I have already had occasion to point out, the heavy labours of our parliamentary investigations upon Banking are remarkable for the pertinent matter they pass over without question or comment.

It is not so much the rarity or the importance of the act itself in this instance that challenges our special notice—it is not the distinct picture it presents to view of the great monied power a private Banker in London possesses—nor is it the vivid impression produced upon the mind when figuring to itself one man placing such a sum as a million of ready money at the disposal of a customer in the ordinary course of a morning's business, and that without notice or preparation—but it is the astonishment we must feel upon discovering the strong monopoly of the Bank of England bringing its influence to bear against the legitimate operations of a legally constituted body of traders who may be said to have derived their existence from the special interposition of Government and the legislature. I am far from meaning to say that ministers or either House of Parliament took any part in the formation of this particular Bank; but I do say that the

country stood mainly indebted for the principle and system of joint-stock Banks of issue to the interposition of Lord Liverpool's cabinet in their behalf; and that it was a sense of indispensable public duty that led that administration, in a manner, to constrain the Bank of England to wave those immunities which operated as a bar to their operations. Such being the case, a monstrous piece of injustice was meditated by the Bank of England when it attempted to prevent the Bank of Manchester from issuing notes. One can hardly conceive a proceeding more calculated to suggest the propriety of searching investigation and rigid explanation; for it took its rise in direct contravention of a policy sanctioned and encouraged by the Government and Parliament for the public benefit. It was, moreover, a positive interference with the legal rights of the manufacturing and mercantile interests of Manchester, and it broached in broad terms an arbitrary dogma, which has since then been understood to have been repeatedly enforced—that no joint-stock Bank issuing their own notes shall be admitted to a discount account at the Bank of England. But the fact was cushioned by one secret committee after another, and remains to this day undefended and unexplained.

Midway between the old and the modern school, and possessing some of the best qualities of the two, is the firm of Jones Loyd and Company, consisting of two partners—father and son. The father is said to be the only Banker in London who has made a fortune by Banking without having been bred to it. Banking sought him. He preserves, it is said, to this day, in his bed-room, a little table which used to stand many years ago in his shop at Manchester, and upon which, as people used to bring their money to him, his first accounts were kept[5]. He, as well as Mr. Denison, is estimated to be worth nearly two millions of ready money, all of which is kept floating in convertible securities for immediate use. Like Mr. Denison senior, too, he

[5] Mr. Lewis Loyd, according to his own account to the Lords' committee in 1819, began business in 1792, at Manchester, where having spent a year, he removed to London, and has since remained, with a partnership in the Manchester firm. According to report he was originally an Unitarian clergyman, but soon tired of that vocation; finding it, as he is sometimes said to confess after dinner, much more profitable and agreeable to spend his time in turning over Bank notes, than in turning up the whites of his eyes. This antithesis reminds me that the figure is one to which Mr. Loyd is partial. When Frys and Chapman, the Quaker Bankers, failed, a member of the society took his account to Jones Loyd. "We think you right, friend," said the senior partner; "it is wiser to place thy money with a rich sinner than a poor saint."

has reared a son who fully sustains his own high character and reputation. Mr. Samuel Jones Loyd, by his example, and still more by his writings, has acquired the honours of being decidedly the highest Banking authority of the present period. He claims the merit, moreover,—and in that respect he stands alone—of having after a long and severe disputation, in which superior knowledge and conclusive deductions were uniformly found upon his side, compelled the Bank of England to conduct its affairs according to the standard, which he has pronounced the only safe one to be referred to for a sound management of the currency.

But it is not in argument only that the Bank of England is liable to be worsted by such private Bankers as Mr. Denison or Mr. Samuel Jones Loyd. Men of their means, it is obvious, wield weapons of still greater power, and, had they been so disposed, might have gone for gold, and stopped the Bank of England over and over again. Whenever the Bank has had only a few millions of gold, it has been at their mercy. There are others too who could have done, and still can do, the same thing, should it so please them. What a condition for a National Bank! What a reflection for our ministers of state! The only establishment the

country possesses for the transaction of public business, the finance operations of government, and the official sustainment of the commerce of the greatest manufacturing and mercantile nation the world embraces upon its ample bosom, is so weak, so poor, and so helpless, that two private individuals, at any hour of the day they may choose, have the power to present themselves at the counter and make it bankrupt!

Of other leading firms—such as Barclay's; Smith[6], Payne and Smith's; Robarts, Curtis, and Co.; Willis's, &c.—it is unnecessary to make particular mention. They possess, in common, the qualities and characteristics which have made London Bankers so powerful and eminent—namely, great wealth and exemplary conduct; and they have thus ob-

6 The Smiths were originally small tradespeople at Nottingham, where, having several thrifty agricultural acquaintances, they turned a retail shop into a Bank; and taking deposits upon interest from their friends the farmers, they lent them out to the manufacturers of the town. A few years after this they opened a second Bank at Lincoln; and then a third at Hull. The Arkwrights and Wilberforces were amongst the number of their earliest and best customers and supporters. They were not long in forming a connexion with Mr. Payne, of London; and thenceforward carried on a business which, for the extent and value of its transactions during a term of fifty years, was second to that of no Bank in England. Mr. Pitt made the head of the house a peer, by the title of Lord Carrington.

tained extensive connexions, the full value of which is not generally understood. The number of persons keeping accounts with such houses as these, and the amount of some of the balances lying for long periods in their hands, are surprising. At Smith, Payne, and Smith's, for instance, many of the nobility bank, and, amongst them, the Duke of Norfolk. An idea may be formed of the sums which are frequently lying to the credit of such men at their Bankers', when it is remembered that at the time of Wright and Co.'s failure the Duke of Norfolk had 70,000*l*. in that Bank. Another of Smith and Payne's customers is Sir R. Arkwright, by all accounts the wealthiest man in England: he is considered to be worth at least five millions sterling. Messrs. Smith, Payne, and Smith receive a portion of his dividends, which amount to near 200,000*l*. a year.

There are two other Banking-houses of which it may not be out of place to say a few words, in order to make the view complete which it has been attempted to give of the private Banks of London. These houses are Coutts' and Glyn's, which may perhaps be ranked as nearly equal in point of income, though somewhat different in their respective principles and modes of business. They are

supposed to be in the receipt of the largest revenues now or ever realized by Banking; making, each of them, some ninety thousand pounds, or so, a year.

The rise and history of Coutts' Bank has been rendered familiar to most persons by the figure its founder—Mr. Coutts—and his second wife (afterwards Duchess of St. Alban's) made a few years back in the fashionable circles of London and Brighton. It resembles not a few of the greatest establishments this country has produced, in having sprung from a small beginning, and owed its fortune to the sagacity and perseverance of an humble individual, who was remarkable at the outset of his career for strict economy. It is principally a Bank of deposit, and can hardly be said to have a commercial character. The number of its discount accounts is small, and perhaps there is not a house in London in which fewer Bills are cashed during the year. The only branch of general Banking business in which it at all enters into competition with the principal firms in the City, is the agency to Country Banks. Coutts' have always done the town business of some of the best Scotch Banks. Everywhere in England, and particularly in London, all great things go in tides.

Coutts' has for years been the Bank of the monied portion of the nobility—of persons who are seldom without having sums of 10,000*l*. and even 100,000*l*. lying to their credit. Early in the reign of George III. different members of the royal family, and many of the landed aristocracy of England and Scotland, began to bank at Coutts'; and they have since increased to a multitude. Enormous balances are thus accumulated, and the safest and most profitable description of business in which a Banker can be engaged is steadily transacted by the firm.

Apropos of Coutts and the Duchess of St. Alban's, who has just been mentioned, it should be added that a short time ago two of the richest Bankers in London were Peeresses; the Duchess, namely, and the Countess of Jersey, who, as the heiress of Josiah, already mentioned, is still the principal partner at Child's. Both ladies were at one time said to be in the habit of paying periodical visits to their respective establishments, and to have been distinguished by the affability and good sense with which they sustained their positions, inspected the books, and entered into general details. But this report was true, and that in part, only of the late Duchess of St. Alban's. Her

Grace was certainly fond of showing herself at the Bank in the Strand, and peering questions at the partners and clerks, with whom she was no favourite, being in truth somewhat of a bore. Lady Jersey [7], as the representative of Sir Josiah Child's interest, only attends the Bank once a year, when the accounts are balanced and the profits struck. On this occasion, the partners dine together at the Bank, and the Countess, as the principal partner, takes the head of the table.

Glyn's in Lombard-street is a complete contrast to Coutts': here, in addition to a large portion of the accounts of the nobility and landed gentry, is the greatest number of commercial accounts in London; and here scenes of bustle and animation take place daily, of which it is not easy to convey an adequate idea. About three o'clock, all is life, activity, and vigour; the place is a fair, and more like a great change than the Royal Exchange itself used to be. Though the Bank is spacious, and the counters are packed with clerks as close as they can stand together, you may sometimes have

[7] The last Mr. Child left an only daughter, who was the heiress of his great wealth, and married to the Earl of Westmoreland. The eldest daughter of that marriage was the present Countess of Jersey, to whom her grandfather's interest in the Bank is understood to have descended.

to wait for twenty minutes before your turn to be served arrives. Such is the rush of business at Glyn's. Two mighty streams of money are constantly ebbing and flowing across the counters, and half a million is said to be no uncommon sum for the firm to settle at the clearing house[8] of an afternoon.

In this respect, Glyn's Bank, more than any other, is characteristic of the age. The rapid progress of modern discoveries, the exploring genius, the accumulated strength and ponderous force of the inventions and improvements of the nineteenth century, are all represented in this one Bank, and not by any means to an equal extent in any other. The talent by which this great concentration of

[8] The Clearing-house is what common people call "a poking place," in the corner of a court without a name, behind the Guardian Insurance-office, in Lombard-street. No Bankers are admitted to it but those in the immediate neighbourhood. The joint-stock Banks are specially excluded; and neither Child's, nor Hoare's of Fleet-street, nor Coutts', belong to it. It has now been established near sixty years. In 1810 forty-six Bankers settled their accounts at the Clearing-house; at present the number is only twenty-six. The great facilities afforded here for expediting business and economising the use of money, may be estimated by the fact, that the amounts settled on some days exceed five millions sterling, and yet not more than two hours are devoted to this labour; while a few thousands in cash, after the checks and bills of each house upon the others have been balanced, suffice to pay the differences.

interests has been effected, is of the highest order; it combines intelligence of the most vivid character, and judgment of the keenest power: it draws even more largely upon mental than pecuniary resources, great as the latter unquestionably are, and is equally felicitous and original. Several attempts have been made to emulate this unexampled fortune, but they have proved abortive. The persons who made them have not been at all equal to the aspiration; they have been deficient in knowledge of their own business, as much as in knowledge of mankind, without which there can be no good or safe Banking, and have exhibited sad examples of rashness and credulity, improvidence and culpability. Some have formed branch mercantile firms, and embarked in the tea trade, some in the East India, and some in the American trades, while a still greater number have involved themselves in the favourite speculations of their customers, until house after house has shared the common reverses of commerce, and suffered the fate of the various adventures, which, after first running them to a dead lock-up, have forced them to succumb in poverty and disgrace to one or other of the repeated shocks by which the credit of the mercantile and manufacturing interests of

Great Britain have been of late years so disastrously assailed. No faults of this kind appear to have been committed at Glyn's Bank; the partners of which, taking admirable advantage of circumstances, have turned the spirit of the age largely to their profit, without violating in any known instance the established principles of sound and legitimate Banking.

If there were half a dozen houses in London such as Glyn's, one would be inclined to contend that private Banking had not yet reached the climax of its prosperity. But seeing as we do, that every year diminishes the number of private Banks in London and in the country; that, on the other hand, joint-stock Banks are everywhere on the increase, while not a single new private copartnership in Banking is now formed; it seems but reasonable to believe, that the general law of change which applies to everything in this world, and those alternations of maturity and decay which occur in all that nature creates or the art of man produces, will, ere long, work the ordinary effects in Banking also. If so, we are in a state of transition as to Banking, and the result will be not the less decided and complete because it will be neither precipitate nor unexpected.

CHAPTER III.

The circulating medium—Money originally metallic—Always a commodity in itself—True functions of Money—Banking and Currency—Adam Smith's doctrine—Its merits, and the departure from the state of things upon which it was developed.

The circulating medium of a country is some substance or token of property adopted for general convenience, to measure or indicate the value of one commodity when exchanged for another. In the early ages of civilization, sheep and oxen—and, amongst the ruder nations of modern times, shells and salt—have been used for this purpose. Thus we read in Homer that the armour of the great warriors of antiquity cost so many oxen. In Mungo Park's Travels in Africa there is a clear account to be found of the manner in which circumstances lead a people to fix upon what is commonly called a "standard of value," and possess themselves of the advantages derivable from a cir-

culating medium. Something of the same sort has, no doubt, occurred at a period more or less remote to the inhabitants of every country. The following is the passage :—" In bartering one commodity for another, many inconveniences must necessarily have arisen at first, from the want of coined money, or some other visible and determinate medium, to settle the balance or difference of value between different articles; to remedy which, the natives of the interior make use of small shells, called couries. On the coast, the inhabitants have adopted a practice which I believe is peculiar to themselves. In their early intercourse with Europeans, the article that attracted most notice was iron. Its utility in forming the instruments of war and husbandry made it preferable to all others; and iron soon became the measure by which the value of all other commodities was ascertained. Thus, a certain quantity of goods, of whatever denomination, appearing to be equal in value to *a bar of iron*, constituted, in the trader's phraseology, a bar of that particular merchandise. Twenty leaves of tobacco, for instance, were considered as a bar of tobacco; and a gallon of spirits (or rather half spirits and half water) as a bar of rum;—a bar of one commodity being reckoned equal to a bar of another com-

modity. As, however, it must unavoidably happen, that, according to the plenty or scarcity of goods at market, in proportion to the demand, the relative value would be subject to continual fluctuations, greater precision has been found necessary; and, at this time, the current value of a single bar of any kind is fixed by the whites at two shillings sterling. Thus, a slave, whose price is 15*l*., is said to be worth 150 bars."

The imperfections of such a mode of dealing as this would evidently be felt in every country, as soon as its commerce began to grow in extent and multiplicity of transactions. Hence we find the use of metals adopted in the form of coin at early periods; hence, too, money, as the word is now understood, was originally metallic. This point is worth remarking, because it will tend to explain a thing sufficiently simple in itself when neither encumbered nor obscured by useless verbiage or the affectation of too much learning—I mean money itself—that strangest of all things, which to look at does not seem at all strange—which when we have and use, we fully understand; but which when we come to write about, to treat formally of, and raise to the dignity of scientific matter or philosophy, seems to be possessed of some such subtle

constitution, and properties so peculiarly out of the way and so mysteriously salient—that it is almost impossible to get two men, however sensible and well-informed in other respects, to agree together to any extent upon it.

Our first remark was, that money originally was metallic: our second remark is, that all metals, as well those which are most common as those which are most rare and valuable, are themselves commodities. The labour of man produces them, and his ingenuity fashions them, in the same manner and with precisely similar results as happens with every other article for which the wants of society provide a market. The case is no more different with regard to a shilling or a sovereign, than with regard to a tea-cup or a chair; a bag of flour, a piece of cloth, of cotton, or of silk. We should always bear this simple truth correctly in mind when we make use of such phrases as "measure," or "standard of value," "medium of exchange," &c., because much confusion of ideas has arisen from the introduction of this phraseology, and the want of definite ideas as to its application. There is no such thing as a standard or measure of value, abstractedly speaking. You cannot affirm, with any pretensions to correctness, that gold or silver are things by

which we can positively regulate the price of all other articles. When we buy a sheep, a sack of flour, a coat, or a gown, we exchange for it so much gold or so much silver; and the quantity we give of the latter invariably bears its proportion to the supply in the market as truly as is the case with every other article of trade or commerce. In our common every-day form of speech, we use the words *buying* and *selling* when alluding to any purchase made, and properly so: we do buy and sell. One buys flour or meat, the other sells it; but this is not all,—there is a counter-act, and metal is exchanged or bartered for both, just as flour might be exchanged or bartered for meat or anything else. Such, however, is the force of habit, that this is seldom present to the mind at the moment the act is performed. When we sell a thing we seldom reflect that we buy gold or silver for it. Such, nevertheless, is the fact, and thus it is we may plainly perceive that the function of money in all transactions of business is this, and no more—the price or value of the article having been first determined, according to natural laws, coin, supplied by government for the general convenience, of a certain weight and quality, is made use of to save the parties trouble and expedite their operations. Thus

do extremes meet. The perfection of our monetary system has varied nothing in its essence and true characteristics from the rude practice of barter which is found amongst the savages of Africa at the present day, as of old it doubtless prevailed amongst the progenitors of our own cultivated European races.

If additional proof be required to show that the view just taken of money is the right one, it will be found in the fact, that whenever kings or governments have attempted to give a false value to the coin they had put into circulation,—that is to say, whenever they have endeavoured to make it pass for what its weight and quality did not warrant,—it immediately became depreciated, and that depreciation has always been found to correspond with the amount of the false value put upon it. As soon as the world saw that the proper weight and quantity of metal were not in the coin, it was only taken in exchange for less meat, flour, and clothes in proportion; and thus the fraud ere long defeated itself, because it is impossible to create any money whatever which shall be a standard or medium of value in any other way, or upon any other terms, than the fair principle of bartering or exchanging one commodity of known value for another of known value.

We pour out rivers of ink in England, writing an extraordinary number of works upon money, and upon those principles of political economy which are supposed to apply to it, as well as our forms and habits in making use of it; but we add little, it is to be feared, to our information, practical or theoretical, by our frequent literary labours in this line. On the contrary, things, instead of mending, are getting worse with us. It would be difficult to point out any real addition made to the stock of our knowledge upon the subject since Adam Smith, the father of the science, as it is called, published his celebrated Treatise on the Wealth of Nations; and yet the knowledge and talent employed in this respect have been not inferior, perhaps, to any which the mind of man has, during the same period devoted to the improvement of the species and his own enjoyment. The misfortune has been, that although many clever thinkers have appeared, and much knowledge has been elicited, they have not been of fixed and enduring authority; they have borne upon a defective and transitory state of things, and have not laid the foundations of any great or permanent system. Our currency has resembled the shifting sands that impede the navigation of some of our most capacious harbours, and

defy the skill of the most experienced mariners. We have been dealing with a series of experiments; and each succeeding writer has most distinguished himself by showing where and how it was the last experiment had proved a particular failure.

I have stated that we have added little or nothing that is real to what Adam Smith contributed for our use years ago; and I may perhaps go further, and assert, that we are not likely to gain much more than we have learned from him. In saying this I refer, of course, to the true elements or first principles of the subject itself. These he expounded and published; and once that was done, the real nature and proper condition of the science had been ascertained, and all that remained for after-talent to do, was, whenever circumstances happened to modify the previous state of things, to mark each variation and vicissitude correctly as it evolved itself, and apply to it the best relief attainable at the moment, and not inconsistent with the governing laws of the system.

Banks manage money: so completely is this the case now-a-days, that it is hardly too much to maintain, that without Banks we should have no money at all; the relations of business are so complex and artificial, that we could hardly work our

way clearly through the mazes of their intricacy, without the aids which Banks afford us, by paper-money, bills of exchange, &c. Let us, then, look at the theory of Banking propounded by Adam Smith; it occurs at book ii. chap. ii. of the Wealth of Nations. The extract is a long one, but it is full of excellent matter, and may prove serviceable to not a few of that numerous body who talk a great deal of Adam Smith and the Wealth of Nations, without ever having read a page of the work.

"It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of Banking can increase the industry of the country. That part of his capital which a dealer is obliged to keep by him unemployed and in ready money, for answering occasional demands, is so much dead stock, which, so long as it remains in this situation, produces nothing, either to him or to his country. The judicious operations of Banking enable him to convert this dead stock into active and productive stock; into materials to work upon, into tools to work with, and into provisions and subsistence to work for; into stock which produces something

both to himself and to his country. The gold and silver money which circulates in any country, and by means of which the produce of its land and labour is annually circulated and distributed to the proper consumers, is, in the same manner as the ready money of the dealer, all dead stock; it is a very valuable part of the capital of the country, which produces nothing to the country. The judicious operations of Banking, by substituting paper in the room of great part of this gold and silver, enables the country to convert a great part of this dead stock into active and productive stock, into stock which produces something to the country. The gold and silver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either. The judicious operations of Banking, by providing, if I may be allowed so violent a metaphor, a sort of waggon-way through the air, enable the country to convert, as it were, a great part of its highways into good pastures and corn-fields, and thereby to increase very considerably the annual produce of its land and labour. The commerce and industry of the country, however, it must be acknowledged, though they

may be somewhat augmented, cannot be altogether so secure, when they are thus, as it were, suspended upon the Dædalian wings of paper-money, as when they travel about upon the solid ground of gold and silver. Over and above the accidents to which they are exposed from the unskilfulness of the conductors of this paper money, they are liable to several others, from which no prudence or skill of those conductors can guard them.

"An unsuccessful war, for example, in which the enemy got possession of the capital, and consequently of that treasure which supported the credit of the paper money, would occasion a much greater confusion in a country where the whole circulation was carried on by paper, than in one where the greater part of it was carried on by gold and silver. The usual instrument of commerce having lost its value, no exchanges could be made but either by barter or upon credit. All taxes having been usually paid in paper money, the prince would not have wherewithal either to pay his troops or to furnish his magazines; and the state of the country would be much more irretrievable than if the greater part of its circulation had consisted in gold and silver. A prince anxious to maintain his dominions at all times in the state in which he can most easily de-

fend them, ought, upon this account, to guard, not only against that excessive multiplication of paper-money which ruins the very Banks which issue it, but even against that multiplication of it which enables them to fill the greater part of the circulation of the country with it.

"The circulation of every country may be considered as divided into two different branches,—the circulation of the dealers with one another, and the circulation between the dealers and the consumers. Though the same pieces of money, whether paper or metal, may be employed sometimes in the one circulation and sometimes in the other, yet as both are constantly going on at the same time, each requires a certain stock of money of one kind or another to carry it on. The value of the goods circulated between the different dealers never can exceed the value of those circulated between the dealers and the consumers, whatever is bought by the dealers being ultimately destined to be sold to the consumers. The circulation between the dealers, as it is carried on by wholesale, requires generally a pretty large sum for every particular transaction. That between the dealers and the consumers, on the contrary, as it is generally carried on by retail, frequently requires but very small

ones, a shilling, or even a halfpenny, being often sufficient. But small sums circulate much faster than large ones; a shilling changes masters more frequently than a guinea, and a halfpenny more frequently than a shilling. Though the annual purchases of all the consumers, therefore, are at least equal in value to those of all the dealers, they can generally be transacted with a much smaller quantity of money; the same pieces, by a more rapid circulation, serving as the instrument of many more purchases of the one kind than of the other.

"Paper money may be so regulated, as either to confine itself very much to the circulation between the different dealers, or to extend itself likewise to a great part of that between the dealers and the consumers. Where no bank-notes are circulated under ten pounds' value, as in London, paper money confines itself very much to the circulation between the dealers. When a ten-pound bank-note comes into the hands of a consumer, he is generally obliged to change it at the first shop where he has occasion to purchase five shillings' worth of goods; so that it often returns into the hands of a dealer before the consumer has spent the fortieth part of the money. Where bank-notes are issued for so small sums as twenty shillings, as in Scotland,

paper money extends itself to a considerable part of the circulation between dealers and consumers. Before the Act of Parliament which put a stop to the circulation of ten and five-shilling notes, it filled a still greater part of that circulation. In the currencies of North America, paper was commonly used for so small a sum as a shilling, and filled almost the whole of that circulation. In some paper currencies of Yorkshire, it was issued even for so small a sum as a sixpence.

"Where the issuing of bank-notes for such very small sums is allowed and commonly practised, many mean people are both enabled and encouraged to become Bankers. A person whose promissory note for five pounds, or even for twenty shillings, would be rejected by every body, will get it to be received without scruple when it is issued for so small a sum as a sixpence. But the frequent bankruptcies to which such beggarly Bankers must be liable, may occasion a very considerable inconveniency, and sometimes even a very great calamity, to many poor people who have received their notes in payment.

"It were better, perhaps, that no bank-notes were issued in any part of the kingdom for a smaller sum than five pounds; paper money would then,

probably, confine itself, in every part of the kingdom, to the circulation between the different dealers, as much as it does at present in London, where no bank-notes are issued under ten pounds' value; five pounds being, in most parts of the kingdom, a sum which, though it will purchase, perhaps, little more than half the quantity of goods, is as much considered, and is as seldom spent all at once, as ten pounds are amidst the profuse expense of London.

"Where paper money, it is to be observed, is pretty much confined to the circulation between dealers and dealers, as at London, there is always plenty of gold and silver. Where it extends itself to a considerable part of the circulation between dealers and consumers, as in Scotland, and still more in North America, it banishes gold and silver almost entirely from the country, almost all the ordinary transactions of its interior commerce being thus carried on by paper. The suppression of ten and five-shilling bank-notes, somewhat relieved the scarcity of gold and silver in Scotland; and the suppression of twenty-shilling notes would probably relieve it still more. Those metals are said to have become more abundant in America, since the suppression of some of their paper currencies. They

are said, likewise, to have been more abundant before the institution of those currencies.

"Though paper money should be pretty much confined to the circulation between dealers and dealers, yet Banks and Bankers might still be able to give nearly the same assistance to the industry and commerce of the country, as they had done when paper money filled almost the whole circulation. The ready money which a dealer is obliged to keep by him, for answering occasional demands, is destined altogether for the circulation between himself and other dealers, of whom he buys goods. He has no occasion to keep any by him for the circulation between himself and the consumers, who are his customers, and who bring ready money to him, instead of taking any from him. Though no paper money, therefore, was allowed to be issued, but for such sums as would confine it pretty much to the circulation between dealers and dealers; yet, partly by discounting real bills of exchange, and partly by lending upon cash accounts, Banks and Bankers might still be able to relieve the greater part of those dealers from the necessity of keeping any considerable part of their stock by them unemployed and in ready money for answer-

ing occasional demands. They might still be able to give the utmost assistance which Banks and Bankers can, with propriety, give to traders of every kind.

"To restrain private people, it may be said, from receiving in payment the promissory notes of a Banker for any sum whether great or small, when they themselves are willing to receive them, —or to restrain a Banker from issuing such notes, when all his neighbours are willing to accept of them, is a manifest violation of that natural liberty which it is the proper business of law not to infringe, but to support. Such regulations may, no doubt, be considered as in some respect a violation of natural liberty. But those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are and ought to be restrained by the laws of all governments; of the most free, as well as of the most despotical. The obligation of building party-walls, in order to prevent the communication of fire is a violation of natural liberty, exactly of the same kind with the regulations of the Banking trade which are here proposed.

"A paper money consisting in bank-notes, issued by people of undoubted credit, payable upon

demand without any condition, and in fact always readily paid as soon as presented, is, in every respect, equal in value to gold and silver money, since gold and silver money can at any time be had for it. Whatever is either bought or sold for such paper must necessarily be bought or sold as cheap as it could have been for gold and silver.

"The increase of paper money, it has been said, by augmenting the quantity and consequently diminishing the value of the whole currency, necessarily augments the money price of commodities. But as the quantity of gold and silver, which is taken from the currency, is always equal to the quantity of paper which is added to it, paper money does not necessarily increase the quantity of the whole currency. From the beginning of the last century to the present time, provisions never were cheaper in Scotland than in 1759; though, from the circulation of ten and five-shilling bank-notes, there was then more paper money in the country than at present. The proportion between the price of provisions in Scotland, and that in England, is the same now as before the great multiplication of Banking companies in Scotland. Corn is, upon most occasions, fully as cheap in England as in France; though there is a great

deal of paper money in England, and scarce any in France. In 1751 and in 1752, when Mr. Hume published his 'Political Discourses,' and soon after the great multiplication of paper money in Scotland, there was a very sensible rise in the price of provisions; owing, probably, to the badness of the seasons, and not to the multiplication of paper money.

"It would be otherwise, indeed, with a paper money consisting in promissory notes, of which the immediate payment depended, in any respect, either upon the good will of those who issued them, or upon a condition which the holder of the notes might not always have it in his power to fulfil; or of which the payment was not exigible till after a certain number of years, and which in the mean time bore no interest. Such a paper money would, no doubt, fall more or less below the value of gold and silver, according as the difficulty or uncertainty of obtaining immediate payment was supposed to be greater or less, or according to the greater or less distance of time at which payment was exigible."

Such is Adam Smith's theory of Banking; inculcating a simple and safe system, sufficient for all practical purposes, and complete in itself. I deliver

this as my own opinion, not arrogantly, or overbearingly, but as the deliberate result of the consideration I have been able to give the matter at issue, and the judgment I possess; and also with a full persuasion that nine out of ten of our modern authorities and lawgivers upon the subject will, after the admission I have just made, consider all I may have afterwards to offer not worth three straws. Nevertheless, such is my opinion,—*valeat*, &c.

One of Smith's leading maxims is, that if Bankers are subjected to the obligation of an immediate and unconditional payment of their notes in coin on demand as soon as presented, then the trade may, with safety to the public, be rendered in all other respects perfectly free; because the whole paper money of every kind which can easily circulate in any country never can exceed the value of the gold and silver of which it supplies the place, or which (the commerce being supposed the same) would circulate there if there was no paper money.

In making these assertions, Adam Smith well knew that, as a Banker's readiest means of making a profit in his business is by putting out his notes, a sense of self-interest will constantly urge him to increase his issues. For that temptation, however, he saw there was a steady check in the obligation

to pay gold or silver on demand. He expresses this general rule as follows :—

"Should the circulation of paper at any time exceed the value of the gold and silver of which it supplies the place, many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home; and as they could not send it abroad,—Bank paper only passing current where it is issued,—they would immediately demand payment for it from the Banks. When this superfluous paper was converted into gold and silver they would easily find a use for it by sending it abroad; but they could find none when it remained in the shape of paper. There would therefore be a run upon the Banks to the extent of this superfluous paper."

Smith's main doctrines then may be thus summed up :—

1. His circulating medium was bank-notes, payable on demand in gold and silver coin.

2. In wholesale dealings, paper money, and in retail dealings, coin, is to be preferred.

3. Banking may be left perfectly free if all Bankers are obliged to pay their notes in gold or silver whenever payment of them is demanded.

4. The proper supply of bank-notes in a country

is an amount equal to the sum of gold and silver which would have circulated had there been no bank-notes.

5. If more notes than this amount are put out they will be quickly returned to the Banker, and thus no derangement of prices from over-issues will take place, the evil of the over-issue being visited back upon the issuer by a run for gold.

6. No excess of issue can take place so long as Banks do not exceed the bounds of legitimate Banking business, which consists in advancing their notes upon real transactions,—that is, upon bills of exchange given for *bonâ fide* business done.

Having thus sketched Adam Smith's principles, I have next to advert to the exceptions that have been taken to them. First, however, it is to be specially observed, that we are not now, and have not for a long time had, any thing to do with the currency of which this eminent writer treated. When Adam Smith applied his mind to the question *gold and silver were a legal tender;* the Bank of England issued no notes under 10*l.*; no Banker could issue notes for less than 5*l.*; and Bank of England notes not being a legal tender, all Banks were obliged to pay their obligations in specie when required to do so.

According to this summary, three conditions of Adam Smith's currency system, each of no light consequence, were in full play at the time he expounded it, but have long ceased to exist conjointly. May it not be worth our while to fix these points in the memory before we proceed? Gold and silver, when Adam Smith wrote, were both a legal tender: a debtor might pay any sum he owed in gold or silver, as he pleased; now silver is not a legal tender above twenty shillings. Again: the Bank of England circulated no one-pound notes at that time, but it has circulated them since then;—the paper of that establishment was not then a legal tender, but it is now. Changes of this material kind challenge attention at all times; but they are most remarkable when, as happens to be the case before us, we have departed from a system, the merits and reasonableness of which have raised its author to the rank of master of the science upon which he wrote; while the more we have swerved from the doctrines he wisely taught, the more have we deepened and prolonged our sufferings.

CHAPTER IV.

Choppings and changes in the currency—Innovations upon Adam Smith's system—The Bullion Committee and its opinions—Mr. Ricardo's principles and publications—Preliminaries for a resumption of cash payments—Gold bars substituted for coin—Failure of that specific—Mr. Samuel Jones Loyd and the rule of regulating the currency by the foreign exchanges.

Having thus far dwelt upon Adam Smith's views of Banking and currency, we have now to take notice of a series of innovations made upon his system, and to point out some of the leading characteristics of the various experiments in Banking and currency we have of late years been trying with such indifferent skill and success. These choppings and changes have generally been expressed by the softened term of fluctuations in the circulating medium. Fortunately for our thesis, a name here is of the very smallest conceivable importance; the reality being so very marked and impressive, that few persons can mistake its true nature and decided bearings.

It is rather curious that Adam Smith's theory was not found fault with until the circumstances to which it applied had been materially changed. He dealt, it is to be observed, with a legal standard of silver and gold, both unlimited in amount. The first Lord Liverpool was the first who broke from that ancient rule: he began by making silver a legal payment for sums at and under 25*l.*, and the restriction has been reduced by degrees to one pound sterling. Another opportunity will present itself for considering the fitness of that departure from the long established usage of the country. I pass on, therefore, to the Bank Restriction Act of 1797, the great sweeping innovation which cut our whole monetary system up root and branch, and gave rise to convulsions, vicissitudes, and losses, of which it is now impossible to convey even a faint idea by any description, however graphic or forcible. It must suffice to say, that the state of our currency for twenty successive years, during which the means and energies of the country were strained by the mightiest of foreign wars in which we had ever been engaged, to their utmost capacities of exertion and extension, was this: every one who pleased set up as a Banker, and issued 1*l.* notes. Mr. Everybody, who often turned out in the end to be

Nobody, when pressed to meet his engagements, was required to pay in Bank of England notes or fail; and in nine cases out of ten, he preferred the latter alternative as the more opportune one, while the Bank of England was not obliged to pay at all. Banking, it is hardly necessary to add, upon such terms, was rather a tempting game, and gamblers in proportion flocked around to play at it. Curious facts abound to illustrate the monetary condition of England during this interval, of which the most striking are, the increase in the number of Bankers, and the host of them that failed. In eight years the total number of private Bankers in England rose from 230 to 517; and they went on increasing by hundreds until 1819, when there were as many as 940. From this point they began to fall rapidly away, no fewer than 240 disappearing in the short space of two years.

It must not be supposed, however, that these and other ruinous consequences of the suspension of specie payments were of sudden origin. On the contrary, they were of rather a slow growth. At the beginning the Banks and Bankers either knew not the extent of the power they possessed, or feared it might prove, as it ultimately did, too formidable for their control if freely exercised. They

let loose, however, by degrees, and when they did, critics were not wanting to scrutinize their conduct and dispute its propriety. Amongst the first persons who opened this abundant mine of controversy were Messrs. Boyd and Thornton, Lord King, Mr. Huskisson, and Mr. Ricardo. A tribe of minor pamphleteers and commentators followed whose names and reputations quickly sunk into obscurity. Lord King by his position no less than by his talents, and Mr. Ricardo, by the variety and ability of his publications, took the lead of the party; and after much speaking and writing, the celebrated Bullion Committee sat in 1810, and by adopting Mr. Ricardo's principles, made that gentleman for a time the highest monetary authority amongst us.

The part taken by Lord King, father of the present Earl Lovelace, on this question, gave rise to much discussion and peculiar legislation. An able and determined member of the opposition, he published a pamphlet on the currency, which obtained considerable praise as a happy specimen of literary composition and argumentative power. Soon after, as the Bank Restriction Act only exempted the Bank from paying in gold, without making Bank of England notes a legal tender, he

gave his tenants notice to pay their rents in gold, and having sued one of them to enforce this demand, he drove ministers to the necessity of passing two Acts of Parliament, the first declaring a one-pound bank-note and a shilling equal to a guinea, although it was notorious a guinea had been for years at a much higher price, as high at times as 26*s.*; and the other Act making Bank of England notes a legal tender for the payment of all debts. This continued to be the law until specie payments were restored. Bank-notes then ceased for an interval to be a legal tender, but were again made one by Lord Althorpe upon the renewal of the Bank Charter in 1833.

It was about the year 1810 that some of Adam Smith's doctrines were for the first time formally controverted, and ruled to be erroneous upon the solemn judgment of Lords and Commons. Of those impugned, the principal was that which maintained the safety with which a merchant's bills of exchange for *bonâ fide* business done, might always be discounted.

The rule in the Wealth of Nations, book ii. chap. ii. is this: "If the paper money which the Bank advances never exceeds the value of that capital which a merchant or undertaker of any

kind would otherwise be obliged to keep by him in ready money for answering occasional demands, it never can exceed the value of the gold and silver which would necessarily circulate in the country if there was no paper money; it can never exceed the quantity which the circulation of the country can easily absorb and employ;" therefore "when a Bank discounts to a merchant a real bill of exchange, drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him in ready money for answering occasional demands."

This, as a principle of Banking, the Bullion Committee pronounced unsound, and totally repudiated. There were reasons adduced in support of the decision, no doubt—there is a reason to be given for everything now-a-days—notwithstanding which, as I happen to have a fancy for saying what I think, I must take occasion to observe that Adam Smith in my humble judgment was right; and that, not only fundamentally and wholly so, but that the more manufactures and commerce increase in a country limited like ours in space, and growing in population, the more

indispensable will the rule in question be found, and the more energetically must it be acted upon, unless you would break down her manufacturing and mercantile interests, and irrevocably pauperize her multitudinous inhabitants.

It is wise, no doubt, to guard against over-trading; but there is perhaps even more wisdom in avoiding the opposite extreme. There is, and always must be, a tendency to over-trading in a community like ours. Many a bill has been, and is now, discounted for a *bonâ fide* transaction, which, nevertheless, was only the first step in a foreign venture, destined, because either immaturely considered or injudiciously applied, to prove a complete and irredeemable failure. Such speculations are part and parcel of the nature of commerce, and are constantly pushed to the extreme in all countries. Let us allow all the weight the truth can fairly carry, and after all, that I apprehend will prove a much more salutary and safe policy, which leaves excesses of this kind to the natural course of things, which looks for ultimate protection and redress to the steady correction which the reactions they must inevitably generate will administer, and prefers to let things right themselves, rather than by interfering over much

to check the progress of improvement, and that development of additional resources, which has been rendered indispensable by our advanced position, our increasing numbers, the luxuriant products of existing capital, and those high attainments whose generous nature knows no cold or stagnant medium between fruitful progression and withering decay.

On we must go; our rapid movement has given a momentum to our action which makes pause or halt incompatible with safety. The energies of the empire must be fed; they ought not to be over-stimulated, neither ought they to be forcibly depressed or pinched. The greater the scale of our operations, the quicker the velocity of our motion, and the more precious the magnitude of our undertakings, the more are genius, judgment, skill, originality, and invention required in our leaders and instructors. If rashness would be ruin, so would faint-heartedness. Fortitude, well-informed and gently-tempered, applying to the exigencies of the times those rules of wisdom which periods less agitated and critical have given birth to, avoiding particular sects and dogmatizers of all classes, and providing steam enough to keep the engine to the speed it has been proved capable of attaining with safety—these

are the qualities our ministers of trade and finance should possess; to them the spirit of the country would respond. But while the Bank of England is a close monopoly, its constitution a composition of contrarieties, the management of its affairs an impenetrable mystery, and while all the legislative inquiries instituted respecting it are conducted in secresy and concluded with reserve, what can we expect but to be kept tossing, as we have been tossed for years, in the eddies of a whirlpool, the dangers of which are magnified by the frequency with which stranger after stranger is put to the helm, and every expedient is resorted to for the purpose of righting the vessel, but the plain and sensible one of returning to the tactics which our single-minded fathers found safe and successful.

The Bullion Committee has also been considered by some writers to have impugned the correctness of Adam Smith's conclusion respecting the efficiency of a demand for gold as the preventive of a derangement of prices from over issues. But if we supply those explanations and distinctions which all close reasoning, pro and con, legitimately admits, there will not, perhaps, be any such substantial difference discernible between the two authorities as has been presumed to exist.

Smith says, "Should the circulation of paper at any time exceed the value of the gold and silver of which it supplies the place, many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home; and as they could not send it abroad, (bank-paper only passing current where it is issued,) they would immediately demand payment for it from the Banks. When this superfluous paper was converted into gold and silver, they would easily find a use for it by sending it abroad, but they could find none when it remained in the shape of paper; there would be, therefore, a run upon the Banks to the extent of this superfluous paper[1]."

The language of the Bullion Committee on the same point is as follows:—"It is important to observe, that under the former system, when the Bank was bound to answer its notes in specie upon demand, the state of the foreign exchanges and the price of gold did most materially influence its conduct in the issue of those notes, though it was not the practice of the directors systematically to watch either the one or the other. So long as gold was

[1] Wealth of Nations, book ii. chap. ii.

demandable for their paper, they were *speedily* apprized of a depression of the exchange and a rise in the price of gold, by a run upon them for that article. If at any time they incautiously exceeded the proper limit of their advances and issues, the paper was *quickly* brought back to them by those who were tempted to profit by the market price of gold or by the rate of exchange. In this manner the evil *soon* cured itself."

This is evidently nothing more than Smith's doctrine in other words; the same principles are set up, and upon the same reasoning, in both the extracts here given; and if one is correct so must the other be also. At the same time it is not to be denied, that we have had in this country reason to believe that an interval may occur, while the effects just stated are in a course of production, or rather, an interval may intervene before they begin to operate perceptibly, during which prices may be temporarily deranged. But the ultimate ratio is the same under all circumstances; and the most we can do for the Bullion Committee is to admit that it showed the precise way in which the effect is brought about: as this,—an over-issue affects prices, and prices being affected, the holder of superfluous notes finds that he has more of them than he wants, or than

will exchange against commodities of the quantity and quality they used to do. He will therefore proceed to set things right by returning the notes again to the Banks from which they were issued; and thus the cause and effect are exactly what Smith described; and the only question to be raised, if that be worth a discussion, will turn upon the time the evil takes to work its own cure.

A third doctrine sanctioned by the authority of the Bullion Committee was new and correct; namely, that the issues of the country Bankers are regulated by those of the Bank of England. The theory itself, however, if it did not originate with Mr. Ricardo, received from that gentleman one of the fullest and clearest expositions that had appeared of its operation: of this the reader shall judge for himself. The following are the remarks of the Bullion Committee upon it.

"So long as the cash payments of the Bank are suspended, the whole paper of the country Bankers is a superstructure raised upon the foundation of the paper of the Bank of England. The same check which the convertibility into specie, under a better system, provides against the excess of any part of the paper circulation, is, during the present system, provided against an excess of country Bank

paper, by its convertibility into Bank of England paper. If an excess of paper be issued in a country district, while the London circulation does not exceed its due proportion, there will be a local rise of prices in that district, but prices in London will remain as before. Those who have the country paper in their hands will prefer buying in London, where things are cheaper; and will, therefore, return that country paper upon the Banker who issued it, and demand from him Bank of England notes, or bills upon London; and thus the access of country paper, being continually returned upon the issuers for Bank of England paper, the quantity of the latter *necessarily* and *effectually* limits the quantity of the former."

The way in which Mr. Ricardo expressed the opinions he had arrived at was this:—

"The money of a particular country is divided amongst its different provinces, by the same rules as the money of the world is divided amongst the different nations of which it is composed. Each district will retain in its circulation such a proportionable share of the currency of the country as its trade, and, consequently, its payments, may require, compared to the trade of the whole; and no increase can take place in the circulating medium of

one district, without being generally diffused or calling forth a proportionate quantity in every other district. It is this which keeps a country bank-note always of the same value as a Bank of England note. If in London, where Bank of England notes only are current, one million be added to the amount in circulation, the currency will become cheaper there than elsewhere, or goods will become dearer. Goods will, therefore, be sent from the country to the London market, to be sold at the high prices; or, which is much more probable, the country Banks will take advantage of the relative deficiency in the country currency, and increase the amount of their notes in the same proportion as the Bank of England had done; prices would then be generally, and not partially, affected.

"In the same manner, if Bank of England notes be diminished one million, the comparative value of the currency of London will be increased, and the prices of goods diminished. A Bank of England note will then be more valuable than a country bank-note, because it will be wanted to purchase goods in the cheap market; and as the country Banks are obliged to give Bank of England notes for their own when demanded, they would be called

upon for them until the quantity of country paper should be reduced to the same proportion which it before bore to the London paper, producing a corresponding fall in the prices of all goods for which it was exchangeable.

"The country Banks could never increase the amount of their notes, unless to fill up a relative deficiency in the country currency, caused by the increased issue of the Bank of England. If they attempted it, the same check which compelled the Bank of England to withdraw part of their notes from circulation, when they used to pay them on demand in specie, would oblige the country Banks to adopt the same course. Their notes would, on account of the increased quantity, be rendered of less value than the Bank of England notes, in the same manner as Bank of England notes were rendered of less value than the guineas which they represented. They would, therefore, be exchanged for Bank of England notes, until they were of the same value.

"*The Bank of England is the great regulator of the country paper. When they increase or decrease the amount of their notes, the country Banks do the same; and in no case can country Banks add to the*

general circulation, unless the Bank of England shall have previously increased the amount of their notes[3]."

Two remarks present themselves upon reading this extract, which are perhaps worth noting. In the last paragraph we detect the first suggestion of the legal tender clause, which however did not come into operation until 1834. If the supply of paper furnished by the country Banks was necessarily at all times great or small in proportion to the quantity of notes issued by the Bank of England, you obviously governed the paper currency of the country Banks whenever you succeeded in governing the issues of the Bank of England. If then you could command this latter power, and found that you effectually regulated the issues of the Bank of England by compelling it to pay its notes in gold, it necessarily followed that the same ends would be ensured at the country Banks by requiring them to pay their notes in Bank of England paper. By this, it was argued, you simplified the action of your monetary system, and economised in the most commendable manner the use of gold.

The other remark I have to make is this. The

[3] "The High Price of Bullion, a Proof of the Depreciation of Bank notes."

views of Banking and currency we are now examining were promulgated in 1810—and they were in the main incontrovertible; but they were none of them acted upon until 1820. We could not have a more apt case in point, to show how slow is the triumph of truth over error, or how hard it is to bring a country back into a good condition, after it has once fallen into a bad one. The French say, *Ce n'est que le premier pas qui coûte*—and they may be quite right in saying so. At the same time it is plain that the observation does apply with equal force to England. Perhaps it is, as Sterne said long ago, that "they manage those things better in France." In England we took our first step in Banking and currency reform, as already stated, in 1809; we are now in 1842, and we are far from seeing our way at all clearly to the consummation of our improved system.

As much of the progress, such as it happens to be, which we have made during this long period is due to the writings and speeches of the late Mr. David Ricardo, M.P. for Portarlington, it may be proper to notice the principles he inculcated and the different publications by which he so assiduously kept the attention of parliament and the public fixed to the subject.

Before the Bullion Committee produced their report, Mr. Ricardo published the pamphlet, from which a quotation has already been taken, entitled, "The High Price of Bullion, a Proof of the Depreciation of Bank-notes." In that essay, which was clearly and forcibly written, and which ran through several editions, those principles were inculcated respecting the use and application of the precious metals and the exchanges, which were afterwards adopted by the Committee itself. When the Committee reported, and their Report amongst many other assailants was formally attacked by Mr. Bosanquet the Bank director, Mr. Ricardo came forward and vindicated its conclusions and his own doctrines with promptitude and ability. After this he continued to draw upon public attention by bringing out pamphlets on "The Profits of Stock," and "On the Best Means of Securing a Safe and Economical Currency," winding up his labours with a finished treatise, which appeared in 1817, on the "Principles of Political Economy and Taxation." In this he made rather free with some of the doctrines of Adam Smith, and was generally considered to have rendered good service to the science, by eliminating as one of its fundamental principles the axiom that the exchangeable value of

commodities is regulated not so much by the ratio between the demand for and supply of them in the market, as by *the quantity of labour required to produce them in the market*, which labour is the true measure of their expense.

Into that question, however, I have no room to enter here; and must therefore confine myself to a notice of his plan for making bank-notes payable in bullion, which was to afford all the security of a gold currency without any of the expenses incurred in coining money, and without any accruing loss from the wear and tear of the money coined. Of this idea, which was not only lauded to the skies by his friends and the political party with which he acted in Parliament, as the perfection of felicitous invention and original genius; but was emphatically commended by committees of both houses of Parliament—some short account is called for; as, notwithstanding all the praises bestowed upon it, and the deliberate manner in which King, Lords, and Commons concurred in carrying it into effect, it proved in the end as utter a failure as any contained in the annals of invention.

There are two great points desired in order to constitute a good currency—first, security, and next economy. If by any device whatever we could

maintain paper steadily upon a par with gold, or if, as Adam Smith has observed, we could guard against the issue of any greater quantity of notes at any time than would represent the amount of gold and silver that would have been employed if they had not been resorted to, we know that the cheapness with which such notes can be produced, and their convenience for the purposes of general use, would render them unobjectionable instruments of exchange. The causes of the great difficulty experienced in keeping the value of guineas and bank-notes equal in this country were thoroughly understood; and amongst the arguments insisted on by the friends of the Bank of England, in resisting the proposed return to cash payments, no one was pressed into harder service, or proved more vexatious to the reformers, than that which maintained that the gold had gone out of the kingdom before the Bank Restriction Act passed, and that, however you changed the law, it would go again. The great desideratum, therefore, was a device by which the gold could be freely used, and yet kept at home. There was the rub. For it was not to be denied that the value of a currency, made up partly of paper and partly of coin, must be depreciated whenever an over-

issue of paper takes place. Not only does the value of the paper vary under such circumstances, but the value of the coin also. When this happens, the coin is melted down into bullion, because a profit is to be gained by its exportation. It was at this point, as Mr. Ricardo conceived, that the hinge of the difficulty was to be detected; and it struck him that if there was no coin in circulation, the occupation of the bullion merchants in sending notes to the Bank to be exchanged for gold, and reaping a profit by melting it when thus obtained, would necessarily cease; and with it the loss which had thereby formerly accrued to the state. He therefore proposed, that the Bank should pay in gold but not in coin—and for this purpose the mode of payment at the Bank, was to be in bars of gold of twenty ounces each.

Having thus introduced the discovery, it will now perhaps be best to refer back to Mr. Ricardo's pamphlet for the original explanation of it, which was given by the author, in the following passages.

" It appears, therefore, that if there was perfect security, that the power of issuing paper money would not be abused; that is, if there was perfect security for its being issued in such quantities as to preserve its value relatively to the mass of cir-

culating commodities nearly uniform, the precious metals might be entirely discarded from circulation.

. . . .

"To secure," says Mr. Ricardo, "the public against any other variations in the value of the currency than those to which the standard itself is subject; and, at the same time, to carry on the circulation with the medium the least expensive, is to attain the most perfect state to which a currency can be brought; and we should possess all those advantages by subjecting the Bank to the delivery of uncoined gold or silver at the mint standard and price, in exchange for their notes, instead of the delivery of guineas; by which means paper would never fall below the value of bullion, without being followed by a restriction of its quantity. To prevent the rise of paper *above* the value of bullion, the Bank should be also obliged to give their paper in exchange for standard gold at the price of 3*l.* 17*s.*[4] an ounce. Not to give too much trouble to the Bank, the quantity of gold to be demanded in exchange for paper at the mint price

[4] "The price of 3*l.* 17*s.* here mentioned, is, of course, an arbitrary price. It might be fixed either a little higher or a little lower. In naming 3*l.* 17*s.* I wish only to elucidate the principle."

of 3*l*. 17*s*. 10½*d*., or the quantity to be sold at the Bank at 3*l*. 17*s*. should never be less than twenty ounces. In other words the Bank should be obliged to purchase any quantity of gold that was offered them, not less than twenty ounces, at 3*l*. 17*s*. per ounce, and to sell any quantity that might be demanded at 3*l*. 17*s*. 10½*d*. While they have the power of regulating the quantity of their paper, there is no possible inconvenience that could result to them from such a regulation.

"The most perfect liberty should be given, at the same time, to export or import any description of bullion. These transactions in bullion would be very few in number, if the Bank regulated their loans and issues of paper, by the criterion which I have so often mentioned; namely, the price of standard bullion, without attending to the absolute quantity of paper in circulation.

"The object which I have in view would be in a great measure attained, if the Bank were obliged to deliver uncoined bullion in exchange for their notes at the Mint price and standard, though they were not under the necessity of purchasing any quantity of bullion offered them at the prices to be fixed; for that regulation is merely suggested, to prevent the value of money from varying from

the value of bullion, more than the trifling difference between the prices at which the Bank would buy and sell; and which would be an approximation to that uniformity in its value which is acknowledged to be so desirable [5]."

As far as inquiry, information, reasoning, and experience could avail to show the propriety of a return to the old standard of specie payments, the Bullion Committee of 1810 left the question firmly decided in the affirmative. But their conclusions were strenuously opposed by the Government, and in this as in so many other contests upon the political arena, party spirit found it an easy task to defeat sense and right. In 1810, Mr. Francis Horner, one of the founders of the Edinburgh Review, brought the subject before the House of Commons in a four hours speech, not less able than it was long, and excellently delivered. He submitted sixteen resolutions for adoption, of which those that closed the series were most to the point, as for instance:—

"That the fall in the value of Bank of England notes and country Bank paper had been occasioned by too abundant an issue of paper currency; and

[5] "Economical and Secure Currency," p. 25.

that this excess had originated from the want of the check or control, in the issues of the Bank of England, that had formerly existed.

"That the exchanges with foreign countries had been unfavourable for a considerable period to an extraordinary degree.

"That although adverse circumstances of trade, and a large military expenditure abroad, may have contributed to this result; yet it had been in a great measure occasioned by the depreciation in the relative value of the currency of this country compared with the money of foreign countries.

"That it was the duty of the Bank directors to advert to the state of the exchanges as well as to the price of bullion with a view to the regulation of prices.

"That the only certain and adequate security against an excess of paper currency, is the legal convertibility upon demand of all paper currency, into the legal coin of the realm.

"That to revert gradually to this security, and to enforce meantime a due limitation of Bank of England and other Bank paper, it is expedient to resume cash payments in two years."

Few men now-a-days would be bold enough to deny, or resist the correctness of these positions.

They were, however, then denied in the flattest, and resisted in the most determined manner by the ministers of the crown. "I have a confident expectation" said Mr. Rose, who spoke after Mr. Horner, "that I shall be able to show to the committee, not only that there has been no depreciation of Bank paper from excessive issue, but that there are more errors and misstatements in the Bullion Report, than in any that was ever made to a House of Parliament. If the recommendations in that report were enforced by a law, compliance on the part of the Bank would be impracticable; and if practicable and adopted, not the slightest advantage would accrue to the public."

Mr. Vansittart, who proposed counter resolutions, declared "that the plan of the committee, without effecting the object in view, would do more than either the decrees or the victories of Bonaparte, to execute the designs levelled at our destruction!"

After several long debates and repeated adjournments, the house came to a vote, and the motion being resisted by the whole force of the Government and the war party, as one the success of which would prove peculiarly *serviceable to the French army*, was lost by 75 ayes to 151 noes.

Nine years were now allowed to intervene, during which much was talked and written, but nothing done. The sum of our gain during the interval was the simple Ricardo plan of bullion payments in lieu of coin payments. Before the legislature consented to act, however, new committees were appointed in both houses; and the fullest investigation again took place into the advantages derivable from the specific in question, which was ultimately incorporated in Peel's Bill, as it has been termed, and then became the law of the land.

Of the labours of these latter committees it is enough to observe, that they laid down no new principles, nor seemed to think that any were discoverable. They assumed as impregnable the positions previously occupied by the Bullion Committee, and considering, very properly, that the time was come for reducing sound theory to practice, directed their attention principally to a discovery of the best mode by which this could be done. Much of the difficulty of the position in which both committees found themselves—and a sense of considerable difficulty most unquestionably must have pressed upon the mind of every thoughtful man who sat upon either one or the other—was opportunely relieved by Mr. Ricardo's plan. For the Bank had not at this moment

a stock of gold equal to the circulation which the internal trade of the country would require. Bullion bars in that emergency were a happy relief; and it was accordingly recommended, that from February 1st, 1820, to May 1st, 1823, the Bank of England should pay its notes in Ricardo ingots, and that the county Banks in the meantime should pay in Bank of England notes.

We have, evidently, not yet done with experiments in the currency; we have undergone some heavy treatment, and withstood not a few violent shocks in that respect; but not having materially improved our condition, the doctors meditate further operations, to which, no doubt, we shall by-and-by have to submit with whatever courage and grace we can muster. With this prospect before our eyes, it may be instructive to look back to the opinions entertained of former theories, and mark for a moment the vain confidence with which security and success were predicted from their introduction. It may be too much to suppose, that by reminding legislators and ministers of state of the disappointment and failure of their former hopes and prognostications, we shall arm them with resolution enough to resist for the future all novel discoveries and untried expedients. We may, how-

ever, succeed in quickening their minds to a due sense of the value of caution, and at least make them somewhat slower than they have been in the adoption of extreme measures. On this account it is that the space here devoted to Mr. Ricardo's cure for a deranged currency has been so considerable; and the same reason renders it necessary to particularize the opinions entertained of it by both houses of Parliament.

The committee of the Lords, of which Lord Hardwicke was chairman, spoke of the plan as follows:—

"These considerations have led the committee to examine, with particular attention, a plan which has been suggested to them, and which, as it will appear by the evidence, is viewed in a very favourable light by many persons well qualified to form a judgment upon such a subject.

"The leading principle of this plan is, to restore to the country, by the speediest and safest means, a metallic standard, as the regulator of its paper currency, by permitting the Bank to pay its notes in gold bullion, at the Mint price, instead of gold coin.

"Various advantages appear to the committee to attend this plan, in preference to a simple

resumption, in the first instance, of cash payments by the Bank. It establishes, equally with cash payments, the principle and the salutary control of a metallic standard, while it affords the best prospect of avoiding or diminishing many of the inconveniences which are by many persons apprehended from that measure. It exempts the Bank from the obligation of providing a quantity of gold, necessary to replace, in case the public should prefer coin to paper, all the smaller notes, to the amount, probably, of fifteen or sixteen millions, which are now circulated in London and in the country; and, therefore, by relieving the bullion market from this demand, it prevents that augmentation of the price of gold which might be the consequence of large purchases of that article made in a short space of time, under the pressure of a necessity publicly and previously known; and it continues to the Bank, and, therefore, to the nation at large, all the advantages to be derived from the employment of a capital, equal to the amount of all the small notes in circulation, whether of the Bank of England or country Banks. In the one case this capital would still be, as it now is, employed in the support and extension of agriculture, and of commerce, whether foreign or domestic; in the other, it would be

merely an addition to the dead stock of the country, producing neither profit nor advantage."

The Commons' committee, of which Sir R. Peel was chairman, was still more earnest in its language.

"By requiring the Bank to pay a given quantity of notes in standard gold at the Mint price, a security against fluctuation in the value of the paper currency will be provided, of the same nature with that *which payments in specie afforded* previously to the Restriction Act. If the issues of the Bank shall, at any time, exceed the amount to which they must be limited, in order to maintain their value on a par with gold, the Bank *will be subjected to an immediate demand* for gold, and will naturally have recourse, as before the restriction, to the contraction of the issues of their paper.

"The chief recommendation of this plan, in the opinion of the committee, is, that it will enable the Bank to pay their notes in gold at a much earlier period than they could pay them in the present gold currency. There cannot, while this plan is acted upon, be any demand for gold for the purposes of internal circulation; and whatever quantity it would be necessary to provide with the view of replacing the small notes at present in circulation,

may therefore be dispensed with. *That portion of capital which must otherwise be applied to the purchase of an expensive and unproductive instrument of commerce, will be less available for the employment of productive labour;* or at any rate time will be afforded, during the operation of the plan, for the gradual abstraction of that capital and for the accumulation of such a stock of the precious metals, as may enable the Bank with perfect safety to supply a metallic currency."

We have now explained the plan itself; we have given a summary of the reasoning upon which it was based, and we have shown what were the opinions pronounced upon it by the most competent judges and in the highest quarters. It was announced to the public by the inventor as "An Expedient to bring the English Currency as nearly as possible to Perfection;" and in almost every direction to which the public could look for an opinion to guide them in coming to a right conclusion upon the subject, it was stoutly maintained that our currency would be placed by it upon such a footing as it never had been before; that the Bank directors would no more repeat their old sins of avarice and capriciousness; that they would now be compelled to conduct all their operations with

rectitude and consistency; that we should have no more panics; no more runs for gold; no further extreme oscillations in the value of money; no sudden expansions and contractions of the currency; the use of gold was to be economised to the nicest point of safety, while the issue of bank-notes was to flow in that gentle level, which was to keep the stream of the circulation, like the volume of water in the Thames, so prized by the poet as the model of good poetry.

> "Strong, without rage—without o'erflowing, full!"

All was to be free, sound, secure, safe, and prosperous; no doubt was hinted, no dispute raised, as to the result: but what after all came to pass? What was the end of all these fine promises and glowing anticipations? Absolutely and positively nothing whatever! There never occurred a more complete failure. The favourite ticket that was to prove so invaluable a prize in the great lottery of fortune was drawn and it proved a common blank. The bolt that was to illuminate the globe was launched under the most favourable circumstances, and it fell back to the earth without light or effect, a mere *brutum fulmen*. Peel's Bill was passed; cash payments were resumed, and the Ricardo

ingots of sixty ounces each were piled behind the Bank counters: but no one took them; the spirits came from the vasty deep when they were called, but no one visited them when they had come. They lay unsolicited, unnoticed, and unused; while panics, runs for gold, fluctuations in the currency, and all the old vicissitudes of periods of high prosperity, alternating with seasons of extreme scarcity and stagnation of trade, recurred with as deplorable a frequency and intense severity as ever.

It would now be difficult to assign a tenable reason for surprise or regret at the failure of the gold bar payment scheme, upon which it is impossible to look as anything short of an ingenious cheat. It was a pretence that made a show of paying in gold, without really doing so. The contrivance was studiously prepared to make the payment so inconvenient, that although the gold was to be obtained, people would prefer going without it. It was an announcement of which the true meaning was this—"Good people, if you want gold, here it is; take it if you like it: but before you do take it, pray pause a moment, and observe how clever I am. 'Tis in a shape the most difficult for use when you have it.—Now tell me, will it not suit you better to

leave it, rather than to take it under such circumstances?"

After this fresh illustration of the old adage of nothing new under the sun, furnished by the exposure and decline of the Ricardo mania, some years elapsed during which it appeared to be generally felt that it was useless to complain, that the case was hopeless, and that the only relief attainable was the poor one derivable from a patient endurance of our fate. At length another doctrine came to be enforced with a high hand, I mean that for regulating the currency and keeping the circulation of Bank notes steadily proportioned to the wants of commerce, which soon claimed serious attention, because it was recommended to public notice as a practical measure, and appeared a legitimate deduction from the experience of the system so long and so oppressively in operation. This is now commonly called Mr. Samuel Jones Loyd's rule of regulating the issues of the Bank of England by the foreign exchanges, a rule promulgated by one of the earliest of our modern pamphleteers upon the currency, Mr. H. Thornton, and of which it will be proper to take due notice. It will, however, be probably better not to advert to this matter in detail

until the Bank of England itself, and the panics that have arisen under the administration of the currency by that establishment, have been more particularly described.

CHAPTER V.

The Bank of England—its origin, privileges, and profits—Mismanagement of the currency, and consequent distresses entailed upon the country—Series of panics from 1783 to 1814—Great rise of circulation and discounts from 1800 to 1817—Continued panics and agricultural distress in 1816, 1819, and 1822—Return to cash payments—Effects of that measure upon prices—Mr. Matthias Attwood's speeches and theory upon the subject—The panic of 1825 and subsequent monetary revulsions.

THE Bank of England owes its origin[6] to a Scotchman, by name William Patterson, who proposed to relieve the embarrassments which continued to press upon the Treasury for several years after the revolution of 1688, by raising in shares, 1,200,000*l.*; the whole of which was to be lent to

[6] The project of an English national Bank has been considered to have been first broached by Dr. Hugh Chamberlen, the inventor of the obstetrical forceps, whose monument, erected at the expense of Sheffield Duke of Buckingham, by Scheemakers, with a very long and very eulogistic epitaph by Bishop Atterbury, is in the north aisle of Westminster Abbey.

Government at 8 per cent; the lenders being incorporated as a joint stock company under the name and description of the Governor and Company of the Bank of England, with the privilege of keeping the accounts of the public debt, paying dividends, &c.; for which an allowance of 4000*l.* a year was to be granted to them. This proposal having been accepted, the first Bank Charter passed in 1694, under the provisions of a particular Act of Parliament—5 & 6 William and Mary, c. 20.

It is curious that, although founded by a Scotchman, Scotchmen are eschewed by the Bank. What the first of the race did to entail a ban upon his fellow countrymen is not recorded, but it is commonly said in the city that three descriptions of persons are excluded, in practice, from employment at the Bank, namely Jews, Quakers, and Scotchmen.

What a history of the Bank of England would prove as to volume and extent, if at all minutely executed, may be judged from the fact, that the bare titles of the Acts of Parliament passed upon the subject of its affairs occupy more than two hundred pages of the index to the statutes at large. Such being the case, it would be vain to attempt to do more in a book like this than having shortly set forth what the Bank was upon its first estab-

lishment, to compress into a few paragraphs a simple statement of its condition, privileges, and resources at present.

The capital of the Bank, originally 1,200,000*l*., is now 14,553,000*l*., all of which is lent to Government at the rate of about three per cent. per annum, which produces 446,302*l*. The dividends upon Bank stock are now, and have been since 1837, seven per cent. The existing privileges of the Bank are, the monopoly enjoyed by being constituted the only joint-stock Bank which can issue notes in London or within sixty-five miles of it[1], or which can draw or accept bills of exchange upon London. Its notes, moreover, are a legal tender everywhere but at its own counter, where, upon demand, they are required to be paid in gold. The Bank receives the revenue of the country for Government, and holds the deposits of the various public offices, amounting on the average to four millions sterling. It is still remunerated for its trouble in registering transfers, and paying the dividends of the national debt; but the increase

[1] Private Banks with less than six partners may by law issue notes in London; and joint-stock Banks may by law draw and accept bills, provided they run for more than six months after date.

of the debt has swelled the allowance from 4000*l.* to 128,000*l.* a-year. Its charter expires in 1844, upon two conditions—one year's notice to that effect, and repayment of the debt the Government owes it.

The Bank of England is about the closest corporation that ever existed. It is managed by twenty-four directors, who furnish no accounts to the proprietors. Eight go out of office every year and eight come in; when the period of election draws near, the directors make out a house list of the names of those they wish to have as colleagues, and the house list is uniformly voted. This body is absolute in the extreme, and perfectly free to act as it sees fit under all circumstances. It is led by no authority, and restrained by no responsibility. Some of the directors, as, for instance, Mr. Horsley Palmer before the secret committee of 1832, have occasionally taken credit to themselves for going with public opinion. We shall presently be able to mark the justice of their pretensions in this respect.

If there is any one point upon which more than upon another public opinion is now, and has for some time been, thoroughly made up and enduringly settled, it is, we apprehend, upon this—that

the Bank of England has the complete control and absolute management of the currency of the whole country; and that the losses which the country has now, for some fifty years or so, sustained by repeated abuses of that currency, in the hands of the Bank, have been incalculable. So wild and extravagant have been the alternate expansions and contractions; so suddenly and capriciously have the value of money and prices been jerked up and tossed down, that it is not at all unreasonable to compare the Bank directors to a set of awkward showmen at a fair, with the trading interests of the nation in a great ill-contrived swing-swong, which at one moment they fling up high in the sky, and at another bring down so low as to drag the ground and rake the gutters with it: a violent recreation, which, at its highest elevation, few heads can sustain without bewilderment, and, at its lowest depression, none can endure without much suffering and disgust. Public opinion, I venture to assert, has long been settled in these respects; how, then, can it be pretended, with any show of truth, that the Bank has gone with public opinion?

In speaking of the currency it is impossible to doubt that its regulation under any system, how-

ever good, must be a delicate operation, demanding considerable knowledge, acute judgment, and sound experience. It ought to be the symbol of trade, and act with the truth of a register for marking the ebbing and flowing of the commercial tide. As it would be monstrous to suppose that the trade of any country can be carried on for any length of time without changes, so it would be unreasonable to expect that the currency of a country, which is the vane and index of the state of trade, can be sustained without fluctuations. As Mr. Gurney, the eminent bill-broker, observed to the Bank Charter Committee of 1832, when demand falls short of supply, money is difficult to be obtained, and of course its value rises. On the contrary, when supply falls short of demand, prices rise, money is more easily acquired, and in proportion to that facility its value descends in the scale.

However, therefore, we may be well able to define what a sound system of currency is, and however confident we may feel in describing what it ought to be, our language must be qualified and our tone subdued when we come to speak of its working, for it would seem, from the very nature of things, to be rather a hopeless aspiration to hold

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out the prospect of a perfect system. This admission is due to truth, and it may be carried somewhat further than I have now pressed it, inasmuch as there is little room to doubt that Banking and currency are subject to the peculiar infelicity of having the best theories respecting them stamped with a character of extreme simplicity, connexion, and harmoniousness, which, however, when reduced to practice, too frequently abound in confusion, inconsistency, and discord.

With this admission, and without meaning in the slightest degree to deny how arduous it always must be to maintain an uniformly steady currency for any long period, it is now time to show what a paper currency is, what its general operation is, and, after that, what have been the particular fluctuations evolved under its management in this country by the Bank of England.

A mixed currency, such as ours at present, consisting of paper convertible into gold at the option of the holder, was well explained by the late Mr. Huskisson when he said, "Paper currency is so much circulating credit; whoever buys gives, whoever sells receives, such a quantity of pure gold as is equivalent to the article bought or sold. Or if he gives or receives paper instead of money, he

gives or receives that which is valuable only as it stipulates the payment of a given quantity of gold or silver; money alone is the universal equivalent, paper currency the representative of that money."

From this it follows clearly, that a paper currency is perfectly sound when the gold it represents is to be had on demand. We may add that when unsound, the degree of its unsoundness is to be measured by the extent of the inability that exists to meet that demand. It is, moreover, easy to perceive, that whether a currency consists of paper, or of specie, or of both, it must, like every other commodity, be depreciated by excess, and raised in value by deficiency. In either case the prices of commodities become deranged, inasmuch as the just proportion is thereupon lost which ought to subsist between commodities and the currency, as the only medium by which their exchangeable value can be accurately measured.

The teaching of truth is sufficiently easy. If you can demonstrate to a man or any set of men that an error has been committed, the error will be readily admitted; but it is one thing to produce this conviction on the mind, and another to prevent the repetition of the same error. The directors of the Bank of England furnish rather a strong

case in point, of the weakness of human nature in this respect.

The habit of tampering with the currency was contracted by these gentlemen at an early period; we can trace it distinctly as far back as 1782, and find it persevered in up to 1839, invariably with the same pernicious results. The matter is rendered still more curious by the fact, that these gentlemen appear to have had a distinct perception all the time of what they were about. We are not reduced to the necessity of taking anything for granted in this respect; we are not driven to assume that, as men of business, they must have known that the aggregate value of the currency of a country depends upon the extent of the operations for transacting which it has been provided; that if these increase while it remains the same, a rise must take place in its value; and if, on the contrary, it increases when the operations do not, its value must decline. "'Twas their vocation," as Falstaff says, to learn this; and they have repeatedly confessed they had learned it, at an early stage of their career. Nor could it be otherwise; for suppose the business of the country to consist of any number of operations, no matter how many; and that any amount of notes or sovereigns, no matter what, is required to carry on those

operations; if you suddenly put out double the quantity of notes or sovereigns, the operations remaining as they were, you have just twice what you want; and the effect of that necessarily is, that the value of each note becomes reduced at once *one-half*. Upon no other understanding or terms can the double amount find its way into circulation.

The motto of the Bank directors, therefore, should be Horatian :—

> "—— Video meliora, proboque;
> Deteriora sequor."

Let us descend to particulars. The interference of the Bank with the currency was signalized, before the suspension of cash payments, by calamities which proved as deeply injurious to the public interests as any that ensued after it had become a chartered libertine, beyond the pains of paying gold. A heavy panic, fraught with great commercial distress, ran through the years 1783 and 1784, which has been brought home to the Bank by more than one conclusive witness. "It was much aggravated, if not produced," said Mr. Tooke, the author of the elaborate History of Prices, to the Charter Committee of 1832, "by an enlarged issue of banknotes in March, 1782, and a sudden contraction of

them in December of the same year, the reduction in nine months having been from 9,600,000*l.* to 5,994,000*l.*" The lesson taught the directors in this instance was as full of striking instruction as could be desired. Their average circulation in 1781 was 7,624,765*l.* and their average amount of coin and bullion 3,071,265*l.* In 1782 they pushed the circulation up more than two millions, and lost a million of their stock of gold, which in 1783 sunk to the low average of 955,635*l.*

In 1792 another panic spread through the country. By-the-by, there seems to be a tendency in the visitations of these panics to return in ten years. Here we have the decennial interval 1782 and 1792 signalized by panics, to which recent experience enables us to add the more fatal years 1826 and 1836. After this, the question is rather a pertinent one, how are we to fare in 1846?

Looking to the Bank in 1791, we trace the usual connexion between its proceedings and the ensuing mischief. In 1791 we find a rise in the average amount of its issues exceeding a million and a half, followed by a reduction in the average amount of its bullion in the next year of more than two millions. This warning, however, does not appear to have been strong enough; for although

the increased circulation of 1791 was attended by the much greater reduction of bullion just mentioned in 1792, yet the quantity of bank-notes kept afloat, notwithstanding the drain during this latter year, being still the same, another million and a half of gold took its departure in 1793; nor do we trace a reflux until the circulation was reduced, when, indeed, the gold returned.

It is impossible to resist the impression which chains of events, so closely linked together as these, are calculated to produce upon the mind. It may be very well to point to other circumstances coincident with these enlarged issues, and to show that they too favoured speculation and stimulated over-trading; still, after every reasonable allowance which may be fairly claimed on this score, it is manifest, that if the Bank directors at these junctures had duly noted the working of their own acts, they must have seen that the natural tendency of an increased circulation of paper currency is to displace gold, and that a contraction of the paper material contributes to a restoration of the gold.

We have now to take notice of an interval, during which a heavier blow was struck against the solidity of the Bank, than had ever before fallen upon it—a blow moreover, sustained in the

midst of great monetary checks, and a commercial revulsion, the strongest and most momentous that up to the period in question had occurred in our history. We allude to the year 1797, and the events that entailed upon the Bank a suspension of cash payments at that epoch [1]. Unquestionably a deep share of the blame to be apportioned to the disaster of 1797, and the consequent monetary derangements into which this country was so injuriously forced, is justly chargeable against the Bank of England. Thenceforward for a series of years the institution became a political instrument, and it avails little for the character of the directors of that day, that they felt and confessed they were doing wrong, but abandoned their better judgment to the importunities of the prime minister, who persuaded them that the alarming state of public affairs made it necessary on their part to jeopardy their own safety, and the commerce of the country, in order to enable

[1] This was the second suspension of which the Bank of England has been guilty. Its establishment was attended with various difficulties which reduced its notes to a heavy discount, and ultimately compelled the directors to stop payment. This misfortune happened in 1696; but the Government coming to the rescue, the dilemma was soon overcome, and business was renewed with better success than had been experienced before.

them to raise extraordinary funds for the vigorous prosecution of the war in which he had engaged. Urgent demands for money pressed upon the treasury; and the treasury unable to meet them pressed in its turn upon the Bank; the managers of which, as uninventive as they were weak, yielded to the solicitations for assistance made by Government, until their coffers had become so exhausted, that on Saturday, February 25, 1797, the stock of coin and bullion, which had risen after the panic of 1792, to an average of 6,878,610*l.* was reduced to 1,270,000*l.*; and as it was pretty clear that another week, such as they had lately experienced, would drain the last guinea of this small sum, an order-in-council was issued which prohibited the directors from paying in gold, until Parliament should make further provision upon the subject.

Startling and decided as this step was, it nevertheless produced at first no injurious impression upon the public mind. It was accompanied by earnest assurances of great wealth upon the part of the Bank, while the leading merchants and Bankers in the city assembled, and publicly announced their willingness to take bank-notes in payment as usual. Soon after, a committee of the

House of Commons was appointed to investigate the condition of the Bank, and having reported that the proprietors possessed a surplus of assets to the amount of 3,825,890*l.*, over and above the sum total of their capital, then 11,648,800*l.*, lent to Government, the general opinion seemed to be that no great mischief had been effected.

At the same time it must be observed, that political excitement had a great deal to do with the conclusion to which the people of England came on this occasion. The Government felt the measure indispensable to the prosecution of the war, which was popular, particularly with the upper classes. A powerful engine was necessary to enable the minister to carry out the extensive financial operations which each succeeding campaign increased; and in order to infuse spirit into the men of whom he made such valuable use, he thought it expedient to exonerate them from the ordinary liabilities attaching to them as Bankers. With him, however, political convenience, and not the good of the Bank or commercial interest, reigned paramount. He soon found that he had obtained hold of a weapon such as it well suited him to wield under such an emergency, and he resolved not to let it slip from his hand while there re-

mained a foe to assault him. Parliament accordingly and the people were flattered into a belief that the restriction was an event abounding with national advantages. While this delusion prevailed it was easy to induce the legislature to continue the restriction until one month after the conclusion of the war. That event took place towards the close of 1801, but the unsettled condition of things at that juncture made a return to cash payments impossible. The restriction, therefore, was necessarily prolonged for an extended time; during which the war broke out again, and again the law provided that, until peace was definitely ratified, there should be no cash payments. The war raged for thirteen years, and when at last peace, after a long absence, returned, it was found that we were by no means equal to the labour of resuming our ancient standard. We required seven years of arduous preparation for that effort—the pains of which, it is no exaggeration to observe, fully doubled the sum of the injury inflicted by the original evil.

When the Government found its account in making the Bank a passive political machine, it was to be expected, in the natural course of things, that some corresponding advantages would accrue

to that institution by way of consolation and recompense for its abandonment of the duties it owed the country, as the standard organ of a comprehensive and independent commercial community. The means at hand for this purpose being so very cheap and convenient, our only wonder is, that they were not more quickly resorted to than they appear to have been. Once the power to issue notes of all denominations became unlimited; it is rather surprising that it was not at once exercised to the enormous extent it afterwards reached. The suspension of cash payments necessarily led to a paper substitute for guineas; and the Bank of England, which, down to 1759, had issued no note under 20*l.*, when ten-pound notes first came out, followed by five-pound notes in 1793, brought one-pound and two-pound notes into use in March, 1797.

It is good, says the proverb, to make hay while the sun shines; and so, ere long, said and acted the directors of the Bank of England. In this spirit they ran a race in money-getting, such as never had been run before in this or in any other country. They augmented the circulation of their notes, and extended their discounts by marked stages soon after the Restriction Act passed. The average annual issue of their notes swelled from

above ten millions, the amount in 1797, to above twelve in 1798; to fifteen in 1800; to above sixteen in 1802; to above nineteen in 1809; to upwards of twenty-three in 1810; to upwards of twenty-six in 1814; and to upwards of twenty-eight[1] millions in 1817.

In discounts, the same liberal practice, at once so cheap and profitable, was also freely indulged in. Before the Restriction Act, the amount of bills of exchange under discount at the Bank did not average ten millions a quarter; but by 1803 they ranged above thirteen, and in 1810 touched *twenty* millions a quarter!

Immense profits flowed from business conducted upon this large scale. In 1781 the dividend on bank stock was at the rate of six per cent.; in 1792 it was seven per cent.; but in 1799, only two years after the exemption from specie payments, the proprietors were gratified by a bonus of no less than 1,164,000*l*., which was made two millions and a-half within seven years. In 1805 their dividends were twelve per cent., which seems to have been thought too dangerous an evidence of prosperity, for in two years only ten per cent. was

[1] The Bank of England had the enormous sum of 30,099,908*l*. of notes out at one time in the year 1817.

given. But this partial reduction was more than compensated in 1816 by a bonus of near three millions. Nor did the dividend fall below ten per cent. per annum so long as cash payments were avoided, after which eight per cent., and later still seven per cent. has become the annual rate.

While the Government was thus enabled to lavish an unprecedented expenditure upon the prosecution of foreign wars, and the Bank, by way of consideration for the support it gave the minister in this wild career of extravagant ambition, was in the full enjoyment of the license to manufacture money as fast as it pleased, it will be readily supposed that persons were found in abundance who maintained that the country had never before been so flourishing, and that the system was the perfection of prosperity. Some facts of a contrary import were overlooked by these calculators. Our annual taxation, which had been little more than sixteen millions in 1791, just previous to the first French revolutionary war, which superinduced our paper system, exceeded in 1815 *seventy-one millions;* while the amount of the national debt, which in 1790 was 228,231,228*l.*, was in 1815 848,248,000*l.*

These are astounding sums, and as the particulars

of the account have been compressed into a short compass, I shall insert a few to show that the sketch I have drawn has not been too highly coloured.

During the first French war, distinguished as the war of the Republic, the following loans were contracted:

Years.	Loans.	Interest per cent.		
	£.	£.	s.	d.
1793	4,500,000	4	8	7
1794	11,000,000	4	10	7
1795	18,000,000	4	15	8
1796	18,000,000	4	14	9
1796	7,500,000	4	12	2
1797	18,000,000	5	14	1
1797	14,500,000	6	6	10
1798	17,000,000	6	4	9
1799	3,000,000	5	12	5
1799	15,500,000	5	5	0
1800	20,500,000	4	14	2
1801	28,000,000	5	5	0

During the second French or Bonaparte war, the loans were as follow:

Years.	Loans.	Interest per cent.		
	£.	£.	s.	d.
1803	12,000,000	5	2	0
1804	14,000,000	5	9	2

Years.	Loans.	Interest per cent.		
	£.	£.	s.	d.
1805	22,500,000	5	3	2
1806	20,000,000	4	19	7
1807	14,200,000	4	14	7
1808	10,500,000	4	14	6
1809	14,600,000	4	12	10
1810	12,000,000	4	4	2
1811	12,000,000	4	13	6
1812	32,500,000	5	5	7
1813	27,000,000	5	8	6
1814	24,000,000	4	12	1
1815	36,000,000	5	12	4

The following summary of the profits derived by the Bank of England from 1797 to 1817 was produced before the Lords' committee during the latter year, upon the resumption of cash payments:

	£.
Bonuses and increase of dividends	7,451,136
New stock divided amongst the proprietors	7,276,500
Increased value of capital . .	14,553,000
Making in all, on a capital of 11,642,400*l.* a gain in nineteen years of . . .	29,280,636

I shall give one more short illustration of the state of the currency antecedent and subsequent to the restriction of cash payments, and then take my leave of the matter finally. In 1790, the Bank, paying in gold, had a circulation exceeding ten millions, and a stock of eight millions and a half in bullion. In 1815, specie payments having been suspended for upwards of twenty years, the average circulation of the Bank was 26,888,432*l.*, and its total highest amount of coined and uncoined bullion, 2,161,000*l.*

Passing from this, the Bank and Government side of the question, on which the eye is bewildered by the fairy picture of never-ceasing means and ever-extending resources, and where the money-making appetite did grow on that it fed on; and turning to the country at large,—to the state of its manufactures, agriculture, commerce, prices, and foreign exchanges,—we find a marked and deeply painful contrast. It was easy to change the paper-currency of the realm,—a sheet of paper and a dip of ink in the pen of a clerk in the privy council sufficed for that purpose. That humble instrument and simple process sufficed to place the monetary system of Great Britain at the disposal of twenty-four individuals, in a great measure self-elected to their office,

and mainly influenced in it by self-interested motives; it sufficed to frank these individuals with the privilege of turning slips of printed paper, value five shillings per quire, into notes of the value of as many hundreds or thousands as they, on the spur of cupidity or caprice, might choose to fill them up; it sufficed to make this paper the exclusive mode for paying the revenue of the kingdom at large and the interest of the public debt; it sufficed, in short, to bring it into universal use: but it did not suffice to change the nature of things; and it could not give either cabinet ministers or Bank directors a power to sustain the value of these notes by any other process than their true relation to the gold and silver they purported to represent.

All bank-notes, let them be issued where or by whom they may, in England or in Russia, by the United States' Bank that used to be at Philadelphia, or the Bank of Vienna, are nothing but promises to pay on demand certain coins specified upon the face of them, of a prescribed quality and weight; and whenever a note will not buy in the money-market the quantity of bullion represented on its face, it is depreciated, and the ratio of such depreciation is the difference between the sum for which it was issued and the sum it will actually

produce. That sum, it is unnecessary to add, will at all times depend upon the supply in the market.

There was, therefore, a certain criterion of the extravagance of the Bank, but it was disregarded; and, perhaps, all circumstances remembered, our great surprise will be, that it was not more quickly disregarded and to a still greater extent than we are about to exhibit. An interval elapsed immediately after the suspension of cash payments, during which, as has been already observed, the Bank directors, either ignorant of the extraordinary virtues with which their Restriction Act was pregnant, or afraid to bring them to light and test their powers, continued to regulate their issues with moderation and propriety. Up to 1800 bank-notes were on a par with gold; and such then was the strength of the establishment and the soundness of the currency, that, as it is universally admitted, we might have resumed cash payments without having done any sensible injury to the currency or to prices. *Sed dîs aliter visum:* the policy of ministers ran right ahead the other way; and the new privileges began to work their wonders at a rapid rate: bank-notes were pushed out in abundant quantities, as if to make up for lost time; gold at once left the country;

and the value of the notes became depreciated in proportion to their excess. The years 1801 and 1802 wêre years of scarcity; we paid in the former upwards of eight, and in the latter upwards of ten, millions of money for imported corn. Bank-notes in 1802 were at a discount of from $7\frac{1}{3}$ to $8\frac{1}{3}$ per cent. This was the first experiment, and the shock it gave seems to have produced some uneasiness, and to have warned the directors of the policy of greater caution; for we find the discount on their notes from 1803 to 1809, both years inclusive, was only 2*l*. 13*s*. 2*d*. per cent. In 1809 and 1810, however, all restraint was thrown off, and all principle lost sight of. The average amount of bank-notes in circulation, which had never exceeded seventeen millions and a half in any one year from 1802 to 1808, both included, swelled in 1809 to 18,927,833*l*., and in 1810 to 22,541,523*l*. Meantime the private bankers throughout the country were far from being idle; tempting opportunities to do increased business presented themselves to those gentlemen also, and they were not neglected. The country Bankers added their due contributions to the excess of paper in circulation. The discount on bank-notes corresponded with these wild issues;

it was 2*l.* 13*s.* 2*d.* in 1809, and 13*l.* 9*s.* 6*d.* in 1810.

But the intelligence of the country had now been roused, the judgment of reflecting minds had been applied to the subject, and various publications—to some of which allusion has been made in former chapters—began to appear, and by expressing correct views and sound opinions, promoted general discussion, and helped to stem the wasteful torrent of ignorant profusion by which the industry of the country was deluged. The Bullion Committee sat, most opportunely for these good purposes, in 1810; and by affirming in its report the propriety of returning to cash payments, gave due weight to the labours of individuals, and for a brief season excited hopes that the reign of common sense and reason was about to revisit ministers, Bank directors, and the mass of the people. The issues of the Bank were checked; but before a year had passed we suffered a relapse, the mad fit returned in all its first violence, and we plunged into greater excesses than ever. In May, 1811, the House of Commons stultified itself at the bidding of the chancellor of the exchequer, by declaring that a one-pound Bank of England note and a shilling were equivalent to a guinea, at a

time when every member of the house might have gone into the market and openly got ten per cent. premium for every guinea he could produce.

This extraordinary resolution, — perhaps the strongest instance upon record of the blind force of party folly,—which in point of fact went the absurd length of maintaining that ninety pounds and one hundred pounds were one and the same thing, equal sums of money,—relieved the Bank of all uneasiness, and the cornucopia of its issues was again thrown upon the market with lavish indiscretion. The consequence was, that in 1812 bank-notes were at a discount of $20\frac{3}{4}$, in 1813 of 23, and in 1814 of 25 per-cent; in other words, gold, which if bought with Bank of England notes in 1800 might have been had at *3l.* 17*s.* $10\frac{1}{2}$*d.* an ounce, was, in 1812, 4*l.* 15*s.* 6*d.* an ounce, and in 1814, 5*l.* 4*s.* an ounce.

The effect produced by the difference between the actual price of bullion and the depreciated value of our paper currency at this period upon the first necessary of life, wheat, has been well exhibited, in a short table which gives the sums at which a quarter of wheat was to be purchased with gold and with paper from the year 1809 to 1814.

Years.	With paper.		With bullion.	
	s.	*d.*	*s.*	*d.*
1809	95	7	81	0
1810	106	0	88	6
1811	94	0	74	0
1812	115	0	90	0
1813	111	0	74	0
1814	74	0	56	6

But the period of retribution was coming round, and heavy was its pressure when it did reach us. While the war was drawing triumphantly to a close, while victory crowned our arms by sea and land, while high rents and high prices diffused universal confidence, and approaching peace, big with promises of greater plenty than we had ever enjoyed, intoxicated the nation, ruin had already stretched out his withering hand to seize us, and a terrible revulsion quickly ensued. In 1814 the Dutch ports were opened; the harvest was deficient; and that most searching of the calamities to which our artificial condition is exposed no sooner visited the land, than the importation of foreign corn occasioned a great decline in the price of the principal article of agricultural produce, which gradually extended to the price of commodities generally. Unprecedented suffering now took

place; the storm swept the country through, and raged with increasing violence until 1816, by which time the agricultural and Banking interests generally were reduced to the lowest pitch of distress. Farmers were insolvent everywhere; mercantile firms became bankrupt by thousands, and levelled their connexions indiscriminately in the dust; while as to the Bankers, between those who either partially suspended business or wholly broke, in the years 1815 and 1816, there was a diminution of no less than 240 firms. The contraction of the circulating medium throughout the country (it was estimated at twenty millions) induced by these disasters, and by the necessity of paying cash for the foreign corn we imported to supply our own deficient crops, raised the value of Bank of England notes so much, that the former discount upon them of twenty-five per cent. was reduced in October, 1816, to 1*l*. 8*s*. 6*d*. per cent.

The injuries produced by these fluctuations were deep, complicated, and irreparable. From the year 1810, when the great rise of prices, occasioned by the increased issues of the Bank, set in, to 1815, when it attained its climax, every person interested in a contract bearing a preceding date, or to whom money was due,—the land-owner whose estate was

on lease, the fund holder, and all annuitants,—were not allowed to raise the amount of their claims in proportion to the fall in the real value of money, and were consequently plundered year after year to the extent of the depreciation already set forth. If in 1815, for instance, our condition had been the reverse of what it really was,—healthy and prosperous, had Government suddenly issued a new coin more base than the standard, to the extent of twenty-five per cent., the fraud upon the public might have been more palpable, but could not have been more effectual than that really accomplished, when payment of all moneys due was made compulsory in a paper worth twenty-five per cent. less than the currency in which the original obligation was contracted.

Nor did the action of the mischief end here: one course had been no sooner run than another set in. He, for instance, who lent 1000*l.* in 1800 and was repaid it in 1814, lost 250*l.* by the difference in the value of the currency. If we suppose him, for any purpose, to have borrowed the amount of his loss, repayable in 1816, the discount on bank-notes then being only 1*l.* 8*s.* 7*d.* per cent., he would again, if he paid in the latter year, be a loser to the amount of 23*l.* 11*s.* 5*d.* per cent., or

68*l.* 19*s.* 9*d.* out of the 250*l.* If to the hardships superinduced by such changes as these in the debts and credits of the community,—if to the numberless private fortunes overthrown, and an impenetrable mass of commercial, agricultural, and manufacturing bankruptcies beyond the art of computation, we add the wrong inflicted upon the country; by compelling us to pay millions of national debt in gold, which was borrowed in one-pound bank-notes worth 14*s.* or 15*s.* each; and if we further bear in mind that the salaries of all public officers, the pay of the army and navy, and the general expenses of government, and the national institutions, were augmented when the value of money became so sensibly reduced, and that no corresponding abatement took place when the currency returned to its proper standard, we shall be in a situation to form an idea—very faint and imperfect it is true—still an idea of the distresses inflicted upon the country, and the gross injustice committed on all the great classes of the community, including both the highest and the lowest, by these fluctuations, a bare recital of which is enough to fill the mind with mingled feelings of amazement and despondency.

In noting the moving causes of the calamities

of 1816, we should bear in mind that the cessation of hostilities on the continent was an established condition of the long promised resumption of cash payments. Much of the panic then excited is referrible to a proposal for carrying that measure into effect in 1818. The Bank made some preparation for the change, by a partial contraction of its issues. But the depression of all the leading interests of the country was too intense, and the notion was quickly abandoned. The year after, the Bank increased the currency by nearly two millions. About the same time Government began to coin gold largely, seven millions of which were thrown into circulation in 1817 and 1818; but the harvest failed in the latter year, and all the new money was drawn off to pay for foreign corn. An immediate contraction of the Bank paper took place; public opinion set strongly in favour of a metallic currency; and in 1819, another panic broke out, the effects of which were not less destructive and extended than those of 1816. Having already spoken of that, it would be a twice-told tale to enter into particulars of the other, which, however, had this peculiarity in it—the gold was drawn off with such extraordinary rapidity, that in the fear of losing our last guinea an act of Parliament was passed by

both houses in two days to restrain the Bank from paying away any more of it!

We are now touching upon events which led to a crisis of still greater magnitude and intensity, a crisis certainly then unprecedented, however it may have been subsequently approached. The return to cash payments having been decreed, the year 1822 was fixed upon for that purpose. But 1822 proved a year in which everything was flat, stagnant, and depressed; a further postponement was thought necessary, and 1825 was substituted. At the same time one material condition of the meditated system, namely, the suppression of the country Banks' circulation of one-pound notes, was held over for eleven years; a proceeding, by-the-by, full of grave error and extensive mischief. The work of preparation, however, both upon the part of the Government and the Bank, was begun in 1820, and was continued for four years, with some vigour it is true; but without either regularity, discretion, judgment, or success.

All this is seen in the general result; for at length the goal was reached, the great consummation was realised; and after all our conflicts of opinion, and every form and mode of chopping and changing, we settled down with a currency con-

vertible, as of old, into gold. The year of years, the ever memorable 1825, set in, and while every face was flushed with fortune and no man dreamed of danger, a fresh example of the wretched instability of our monetary system was given, and proved so unexpected and tremendous, as to bear no inapt resemblance to the convulsions of an earthquake, that in a moment sweeps from the face of the earth, a sunny region of luxuriant fertility, and leaves a barren desert of dry cinders in its place.

The parliamentary session began as usual in February, and the speech from the throne assured both houses of the gratification the king derived from "the continuance and progressive increase of that public prosperity," upon which they had been congratulated at the opening of the preceding session of Parliament. "There never was a period," we were told, "in the history of the country, when all the great interests of the nation were in so thriving a condition, or when a feeling of content and satisfaction was more widely diffused through all classes of the British people." The speech described the "flourishing condition, and progressive improvement of the revenue," and

especially dwelt upon "the continued improvement in the state of the agricultural interest, the solid foundation of our national prosperity." Viscount Dudley and Ward, on moving the address, said, that "his Majesty's Government, his Parliament, and his people, now reaped, in honour and repose, all that they had sown in courage, in constancy, and in wisdom." "There was a prosperity extending to all orders, all professions, and all districts; enhanced and invigorated by the flourishing state of all those arts which minister to human comfort, and by those inventions by which man seems to have obtained a mastery over nature by the application of her own powers, and which, if any one had ventured to foretel it only a few years ago, would have appeared altogether incredible; but which now realized, though not yet perfected, presented to us fresh prospects and a more astonishing career." The Earl of Liverpool congratulated the house in a tone of peculiar triumph, upon the completion of that great measure: "the return to a sound metallic currency." "The task," he added, "had been a Herculean one; but we had accomplished it, and were now enjoying our reward. England had reached a state

of prosperity, greater than any other country enjoyed, nay greater than she herself, at any antecedent period, had ever attained."

In the House of Commons, Mr. Alderman Thompson, member for London, and a merchant of eminence, whose opinions upon the state of commercial matters were fairly regarded as of good authority, bore ample testimony to the fidelity with which that state was pictured in the king's speech. In the Excise, there was an increase of more than a million, as compared with the preceding year; in the Customs there was a similar augmentation. "Whatever part of England you visit," said the worthy alderman, "there are presented to your view a happy, contented, and industrious population; whether they are employed in the manufactories of our great staples, or in the cultivation of the soil, the scene is equally gratifying." The exports of 1824 were the largest ever known (in official value, 50,758,800*l.*) and exceeded those of 1823 by four millions and a half. The transit-trade had experienced a marked increase. The shipping interests were all in a state of rapid improvement. About two hundred more merchant vessels had been built within the preceding year, and they had all "plenty of employment."

Before these pleasant speeches had time to grow insipid, the chancellor of the exchequer, Mr. Robinson, (he was afterwards nick-named "Prosperity Fred," and is now Earl of Ripon, and President of the Board of Trade,) hastened to bring forward his financial statement for the year, and appeared anxious only to subdue to something like a statesman-like tone of moderation the feelings of exultation which were swelling in his bosom. But it is not a little remarkable that, while those feelings were struggling within him for adequate expression, some small still voice seemed to warn him of the unseen abyss which was already opening at his feet. The exordium of his speech on that occasion was, without any consciousness of danger upon his part, almost prophetic. "Although," said he, on rising, "I cannot forbear to congratulate the house upon the auspicious circumstances under which we are called upon to review the state of our finances; I can truly say, that I do not do so for the mere purpose of making a flourish, nor with any desire to induce the country to indulge in an unreasonable exultation as to the present, or an extravagant anticipation as to the future. But although I have no such object in view, and although there may be in this country, and unques-

tionably are in other countries, persons who, either jealous of the eminence of our station, or ignorant of the causes which have placed us there, may represent our present prosperity as the forerunner of our ruin, and may wish to describe us as having merely hastened

> "Numerosa parare
> Excelsæ turris tabulata, unde altior esset
> Casus, et impulsæ præceps immane ruinæ;"

I, nevertheless, am of opinion, that if, upon a fair review of our situation, there shall appear to be nothing hollow in its foundation, artificial in its superstructure, or flimsy in its general result, we may safely venture to contemplate with instructive admiration the harmony of its proportions and the solidity of its basis."

It is now perfectly well known that all these flattering notions of successful improvement and over-flowing fortune were delusion and mockery. There is no story in the Arabian Nights' Entertainments more visionary and unreal than that which the minister of the day narrated of the prosperity of 1825, a thing worse than the baseless fabric of a dream; for that leaves no wreck behind, whereas this did—and what a wreck!

If we look at the full volumes of information collected together upon Banking and Currency by the parliamentary committees of 1797, 1810, and 1819, we shall be lost in wonder at the reckless conduct and blind infatuation into which both the Bank directors and the Government of the country fell at this juncture. Three functions had been imposed upon the Bank: it was required to provide gold to pay off its own one-pound notes; that was a direct obligation: gold for the country Bankers to pay their one-pound notes, which was an indirect obligation; and, again, gold to meet its obligations, generally, under the new arrangements. The total of these obligations was estimated at twenty millions.

While the Bank was occupied with the task of making these provisions, the Government entered into some concurrent operations for the purpose of lessening the pressure of the national debt—such as paying off the 4 and 5 per cents., in which as usual the Bank became its agent, and thus contributed to throw an extra mass of ready money upon the market. This took place at a time when the unavoidable consequences of its own acts in other respects were an extension of the currency and a consequent cheapening of its value. So well had

the directors taken their measures for accumulating a good stock of gold, that they were able to withdraw their one-pound notes from circulation before the stipulated period—as early as 1821—and they had in their coffers at the beginning of 1824, the largest sum in gold they had ever possessed, amounting to 14,142,000*l.* Why so large a sum was then collected, after the heaviest of the obligations against it, namely, the payment of the country Bankers' one-pound notes, had been put off for the long term of eleven years, has never been very clearly explained. Two consequences ensued, which all parties ought to have anticipated. The country Bankers, who had contracted their issues at least one half, while the prospect of being obliged to pay them in gold was held up to them, no sooner found that liability withdrawn to a remote period, than they hastened to return to their former average; while the Bank was also sending out notes against the gold which had been collected for, but was no longer wanted by them. Can we doubt the result?

Never before was speculation so buoyant at home, and enterprise so active abroad. All this was perfectly natural. The concurrent movements of the Bank, the Government, and the Legislature, had

made money abundant; and the people, having more of it than they had been accustomed to, indulged those desires for adventure and fortune-making which so golden an epoch had warmly generated. Here there is no room for wonder; all we can say is, that it would have been indeed wonderful if things had, under such circumstances, not taken the feverish turn they did.

Political events were not without their influence in producing this mania. Trade and agriculture had begun to revive in 1823 from the depression they had suffered under during the two preceding years. In the independence of the South American Republics a new world was called into commercial activity, and the British merchant and manufacturer seizing upon it as the proper field for the exercise of his enterprise and the employment of his capital, threw himself upon its distant surface with characteristic confidence and avidity. The region was known to be unexplored, and it was believed to be inexhaustible in its products and resources. Loans to its governments, investments in its mines, and speculative ventures for its markets, were entered into with unparalleled credulity to an enormous extent. All ranks,—the first-class merchant, the retired tradesman, the small trafficker, the petty job-

ber,—were smitten with the general mania, which waxed hotter and wilder the longer it lasted. Such was the folly of 1824 and 1825. Had there been a prudent superintendence of the currency at this period, some effort would have been made to check and subdue the public paroxysm. But what did the Bank directors? They fed it; they poured oil in the flames: raising their circulation, which was 17,768,840*l.* in 1823, to 19,705,920*l.* in 1824, and to 21,060,130*l.* in 1825.

The upshot is best told briefly.—In September a pressure for discounts became heavy upon the Banks. The foreign exchanges turned perceptibly unfavourable in October; the gold drained rapidly away; and before the middle of December the Bank, which at the beginning of the year had upwards of fourteen millions in gold, had about one million left! It was in December that the panic was at the highest. In that month the Bank of Sir Peter Pole & Co.—an old firm, extensive in its agencies for country Banks,—though largely assisted by the Bank, stopped payment after a desperate struggle which lasted for a week. While this house was in jeopardy, the state of the country was awful; when it failed, that state was one of desperation. Every effort was made to pro-

cure gold at any price. The Mint worked night and day; but as fast as sovereigns appeared, they disappeared again. England was within an inch of bankruptcy. The Bank had actually consulted ministers upon the best manner of announcing that they had stopped payment; when one of those happy trifles occurred which are occasionally observed to change the aspect of things without any adequate cause: the fever of the public mind abated, the tide turned, and, strange to say, the run for gold was stopped by the simple production of some old one-pound notes! When the Bank found it most difficult to get from the Mint coin sufficient to meet the sharp demands pouring in on all sides, a clerk happened to recollect that there were in the library some parcels of one-pound notes, which had been signed before the passing of the Act for their withdrawal. It was suggested, as the pressure of the country Banks for gold arose entirely from the holders of their one-pound notes, that, possibly, the public might receive Bank of England one-pound notes in lieu of gold. The idea was communicated officially to the Government, who approved of it. When the panic was at its height, a considerable part of these notes was sent into the country, where they were received with acclamation. At Norwich,

as Mr. Richards, the Bank director, stated in his account of this panic to the Commons' committee of 1832, "When the Gurneys showed upon their counter so many feet of these one-pound notes of such a thickness, it was said they stopped the run with them." Whether it was that the storm, having expended its fury, died away of exhaustion, or that the small notes sufficed to stop it; the fact was, that within a week after their appearance the panic vanished.

It is amusing to revert to the very sensible things that were said, and the many wise resolutions that were formed, as soon as the imminence of the peril had subsided. We had been taught a salutary lesson, and would exercise more caution for the future, and grow wise, as even fools are said to do, by experience. The Bank had seen the error of its ways, and was not to relapse into them. Things, it was admitted, had been in an unwholesome state, and had stood much in need of a purification, which at length had been administered, strongly, but still properly. Sound principles were now to be steadily acted upon. There was to be no more trading upon fictitious capital; and the different races of schemers, adventurers, and common swindlers, who throve in periods of redundant

currency, like the vermin of a hot summer, upon accommodation paper and false credit, were to be swept away, and never raise their noxious heads again. Out of great evil, in short, the greatest good was to grow; and to such a length did this complacent turn for self-congratulation go, that there were persons found who even ventured to compliment the directors of the Bank of England for having so nobly stood by the country in the hour of danger! When this language was used in the house, it was admirably observed by Mr. Tierney, that unquestionably "the Bank directors, having set their house on fire by their mismanagement had afterwards done all they could to extinguish the flames, in order to prevent themselves being burnt with it." In a word, if there was any dependence to be placed upon the judgment of well-informed men, and any truth in the force of public opinion, WE HAD SEEN THE LAST OF THE PANICS.

Such were the reflections with which we consoled ourselves in 1826 for the misfortunes of that year and the autumn preceding it. We had seen the last of the panics, and the Bank was *to be a good Bank* for evermore! But what proved to be the fact? The same as of old: in the next ten years

there were two panics,—namely, in 1832 and 1836; the latter the more remarkable, as it came quick upon the heels of the elaborate inquiry of 1832, which formed the basis of the new charter granted to the Bank in the following year, and settled the criteria upon which that establishment was so to equalize the currency, and its system of business, as to ensure unbroken order and harmony for the happy ages during which the sun of real prosperity was henceforth to shine upon us.

Let us, however, proceed according to the course of events. We have first to indicate the principles laid down by the Bank Charter Committee of 1832, and offer a few words explanatory of the panics that occurred up to 1836. But our narrative of the past is incomplete. We have not yet had an opportunity of showing, as fully as the extended working of the measure seems to demand, what the change was which took place in the currency when cash payments were resumed throughout the country; nor have we adverted to some doctrines in connexion with this part of the subject which were unsuccessfully advocated by some Bankers and political economists,—such as the Messrs. Attwood and others.

Severe agricultural distress, as will be remem-

bered by most persons, followed the conclusion of our long continental wars, and became most oppressive from 1819 to 1822. The general fall of prices that took place within that interval was, according to some authorities, the consequence of too much corn, and according to others, of too little money. All parties, however, admitted that the transition from a paper to a specie currency had much to do with the depression, though, as usual, great differences of opinion prevailed as to the precise *extent* to which prices had been affected by the change. Mr. Ricardo had contended that the return to cash payments would not make a greater difference than five per cent.; when cash payments had actually taken place, he admitted that prices had varied as much as eight per cent.; there were others who maintained that the depression was full twenty-five per cent. Of this last party was Mr. Matthias Attwood, of the firm of Messrs. Spooner, Attwood, and Co., the Gracechurch-street Bankers, and now member for Whitehaven, who submitted his opinions to the house upon the occasion in a speech characterised by a good deal of clear thinking, and an abundant store of statistics to illustrate and fortify his position.

As no account of the currency can be either fair

or complete, from which the views of a practical man, and the organ of a particular party (both of which Mr. Attwood to this day remains, upon the subject), are excluded, I am bound not to overlook his principles, nor the motions he has made in Parliament to enforce them. As, moreover, I do not see that these can be better noticed than by allowing Mr. Attwood to speak for himself, I propose to give some extracts from his speech in 1822, when moving for a committee of inquiry. The matter will be found both curious and strongly put together.

"In the year 1818," said Mr. Attwood, "the average price of wheat was eighty-four shillings per quarter; and if the present price be taken at forty-seven shillings, that is a reduction on wheat of thirty-seven shillings, which is equal to a fall of forty-five pounds in every hundred pounds, or forty-five per cent. The price of iron in the year 1818 appears to have been thirteen pounds: that price is now eight pounds per ton, and is equal to a reduction of about forty per cent. The price of cotton in 1818 was one shilling, and it has sunk to sixpence per pound; and that is a fall of fifty per cent. on cotton. Wool in the year 1818 sold for 2*s.* 1*d.*, which now sells for 1*s.* 1*d.*; and there is therefore

in wool a fall of nearly fifty per cent. The fall, therefore, that has taken place since 1818, in iron, in cotton, and in wool, is as great as the fall in wheat. It is forty-five per cent. on an average of the three; and that is precisely the fall in grain. These are our three great staple articles, and this fact of the fall in price they have sustained, I recommend to the consideration of those gentlemen who tell us of an excessive production of corn, and of an excessive cultivation of land. If corn has been produced in excess, if the proof of that is to be found in its fall of price, doubtless there has been an equal excess likewise in the production of these three great staple articles. But I will refer to a paper containing further information upon this subject, and which I am satisfied will be received as exhibiting a correct estimate of the general fall in prices which has taken place on the whole of our production and commodities. The paper to which I refer for this purpose will be found in the Agricultural Report of the last session. It was delivered to the committee by Mr. Tooke, and contains a list of the principal articles of commerce and manufacture, thirty in number, selected by that gentleman for the purpose of information respecting prices; and the prices of each commodity are given

for several successive years, in the month of May in each year. I have caused the prices of these articles to be added to this table, for the month of May in the present year also. The result which this table exhibits is, that since May, 1818, a great and general fall in these articles has taken place; which fall cannot, on the whole, be taken to be less than the fall in the price of agricultural produce which has accompanied it. Of these thirty articles there are only two that have experienced no fall. These are indigo of two kinds, and their price has been supported, as I understand, by circumstances of an extremely peculiar nature. The fall which has taken place between May, 1818, and May, 1822, in the prices of the articles contained in this table, indigo excepted, is, if we take the lowest price marked in the table in each period, and take away the direct tax which exists on some of these articles, exactly forty per cent.; and if we add to this forty per cent. five per cent. more for the difference between prices as marked in tables, and those for which commodities can really be sold in the market, when the market is depressed and falling, that will give us an average fall of forty-five per cent., which is precisely similar to the fall in grain.

"There is no truth, therefore, in the opinion

that any fall in prices peculiar to agricultural produce has taken place. The fall in prices has been universal, and not particular. The leases of the tenants, the mortgages of the land-owner, taxation pressing heavily upon agricultural labour, but which the machinery of the manufacturer lightens ; all these will render the difficulties of the agricultural community more permanent, perhaps, than those of the mercantile and manufacturing community ; but they have not been more severe. Let the house consider what difficulties, as this table shows, our mercantile and manufacturing industry has been exposed to. In the midst of this fall in prices, what operation in business could proceed without loss or ruin? There has been no form in which the capital of the merchant, none in which the capital of the manufacturer could be invested, without the half of it being sacrificed during this calamitous period. We have been thrown back upon a condition of society in which all industry and enterprize have been rendered pernicious or ruinous, and where no property has been safe, unless hoarded in the shape of money, or lent to others on a double security.

"The honourable member for Portarlington (Mr. Ricardo), in referring to this table on another occa-

sion, I think told us that Mr. Tooke was able to point out several circumstances which tended to lower the price of many of these articles. I do not in the least doubt it. The price in the market of every particular commodity is fixed by the influence of a great variety of contending circumstances, some tending to advance, and some to depress that price. I doubt not but Mr. Tooke could point out numerous circumstances that have affected the prices of every one of these commodities, and have contributed both to depress and to support them. But the question is not as to what has affected the price of any particular commodity. The question is, whether this list is to be received for that purpose for which it was given, as containing an indifferent and impartial selection from the general mass of our productions and commodities, and exhibiting in its results a fair estimate of the fall in price on that general mass? That, I see, the honourable member for Portarlington admits. This table shows what the general fall in price has been. Let us see, then, to what conclusion this brings us. Either the quantity of all commodities has been increased, or the quantity of money has been diminished; one of these we must of necessity admit; for the proportion is altered. There is either an

increase in the general quantity of commodities, or a reduction in the quantity of money. And are we to believe that the general quantity of commodities has increased? that a great augmentation has suddenly taken place in all the produce of all labour? that all industry has become suddenly more skilful and efficient, and the produce of all soil more abundant? If we could believe that, indeed, then we might look on our present difficulties as necessarily attending the introduction of a better state of things; as the sure precursor of an age more prosperous than this country has yet experienced. But it is impossible to entertain such a belief; it is impossible to believe that any great and sudden augmentation of commodities has taken place. It is the quantity of money that must of necessity have been reduced."

. . . . . .

"I now beg the attention of the house to a consideration of what that reduction has been; how it has been effected; and how it corresponds with the fall in monied prices which it has occasioned.

"*The monied circulation of this country has rested on that of the Bank of England.* The amount of the notes of the Bank in circulation, at the period

immediately preceding this fall of prices, appears to have been from about twenty-nine to thirty millions, that is the average amount in circulation for the last half-year of 1817. If we take a view of the amount of bank-notes in circulation, from this time downward, and observe the amount in the middle of each quarter, which affords, as appears by the evidence of Mr. Harman, the best comparative view—a gradual and systematic reduction will appear to have commenced.

	Bank Notes.	Prices of Thirty Articles.
" The amount in August 16,	£.	s.
1817, is . . .	30,100,000	86
It was reduced by Nov. 15,		
1817, to	29,400,000	80
and continued as follows		
February, 1818 . .	28,700,000	85
May	28,000,000	86
August	26,600,000	79
November	26,000,000	82
February, 1819 . .	25,600,000	80
May	25,900,000	72
August	26,000,000	74
November	24,000,000	61
February, 1820 . .	24,000,000	65

	Bank Notes.	Prices of Thirty Articles.
	£.	s.
May	23,900,000	70
August	24,400,000	72
November	23,400,000	57

. . . .

"Nothing can be more regular, gradual, and uniform, than this reduction in the quantity of money thus exhibited, and commencing at a period immediately preceding the commencement of the fall in monied prices. It was altogether a forced and systematic contraction. It did not take place in consequence of the fall of prices; it preceded it.

"We see then a regular systematic reduction of *the notes of the Bank, our legal money, on which the whole of our circulation depends;* and that reduction followed by an equally regular fall of prices: but the one is in greater proportion than the other. Prices have fallen more than notes have been reduced. The reduction of bank-notes is one-fourth or one-fifth, and the fall in prices has approached nearly to one-half; and yet the honourable member for Portarlington denies that prices will fall, except in proportion to the reduction of money. But I

beg him to consider that, first, we have the fact plainly before us: and that to facts we must reconcile our theories as well as we are able."

Of the facts thus collected by Mr. Attwood, and the inferences drawn by him from them, it may be fairly observed that they were not disputed at the time, and must be admitted to be, in the main, incontrovertible. Prices did fall and consequent distress prevailed very nearly to the extent he described. But, however correct Mr. Attwood appears to have been in his statistics, equal force was not accorded to the theory he sought to build upon them. There opinions generally predominated against him; almost all the authorities upon the subject were opposed to him; while none of the practical men, and no members of the influential body to which he belonged—the private Bankers—stood forward as his supporters. It will therefore suffice to state here that the Attwood theory, as explained to the Bank Charter Committee of 1832[2], assumed as general principles—

1st, That so long as any number of industrious

[2] The speech here quoted was delivered by Mr. Matthias Attwood, the London Banker. The explanation of the theory was given by his brother, Mr. Thomas Attwood, the Banker at Birmingham.

honest workmen in the kingdom are out of employment, and that such deficiency of employment is not local but general, it is the duty and interest of Government to continue the depreciation of the currency until full employment and general prosperity have been obtained. Absolute tests of full employment are difficult to obtain; but perhaps the year 1825 may be taken as an example, when no honest man was without occupation.

2dly, Were the population doubled they would all be employed beneficially, by establishing either a just metallic standard of value, or artificial standards which are better suited to the present artificial state of society. The Bank of England note, or a mass of exchequer bills, or a portion of the national debt, might be converted into a legal tender to a limited extent, so as to have an abundance of circulation without any excess.

3dly, Taxation is more or less oppressive in proportion to the quantity of money in circulation; a reduction of taxation has not much effect upon industry. For fifteen years antecedent to 1832 the fiscal modifications had been considerable, but the people gained little by them.

4thly, To obtain the augmented currency that is desirable, silver should be the only standard, and

gold should be allowed to find its agio [2]. The Bank of England should increase its issues considerably, including a large supply of one-pound notes, and bank paper should be a legal tender from all quarters but the Bank itself.

5thly. Country bank-notes ought by all means to be preserved. They are the most important instruments of circulation that exist. They act directly upon the channels of industry, and are all employed in *bonâ fide* feeding and clothing the population whom Bank of England paper does not so directly reach.

Peculiar as these views appear, they coincide with some others which have not been feebly expressed. Mr. Cock published a pamphlet about the same period, in which he says, "There seems to be in all countries a sort of indescribable value set upon the precious metals, far beyond what would appear to be warranted by their intrinsic merits. It is true that their portability, incorruptibility, and

[2] Agio is the premium between the current value of any two mediums of exchange—as between paper currency and metallic currency—or between one metal and another, as silver and gold. The word, in France and other continental money-markets where gold, though a legal payment, is not compulsorily so at its standard value, is the price which is chargeable before a Bank can be compelled to pay it.

being at the same time less liable to great fluctuations in price, make them desirable articles to keep, when wealth is required to be hoarded. But taking all these considerations into the estimate, and fixing prices on them accordingly, they are of no more value than a given quantity of sugar and coffee, answering to the same nominal value, and estimated also by all the circumstances of corruptibility and waste and other disadvantages by which they are affected. . . . As long as a paper currency is founded on actual property, whether gold, silver, coffee, sugar, or other goods, it does not appear to me to be possible that too much can be circulated."

If to these opinions, I add from Mr. T. Attwood's evidence in 1832, his view of the state of things, that arises because they are not enforced ; a state, by-the-by, which may be truly said to have existed with as severe a reality during the last three years as it ever did before, I shall probably be held to have noticed as fully as it deserves, the Attwood theory of currency. "The reward of labour being destroyed, the labourers, who can each produce four times as much of the comforts of life as they and their families could possibly consume, are starving while superabundance reigns around them.

They find no employment because the organ of industry, which is money, does not exist in sufficient quantities to give the productive classes a reward for their exertions. The peasant, idly wandering about, looks over the hedge of the half-cultivated farm, where the land is suffering for want of his labour; but at the same time, the farmer has neither the profit nor the money to enable him to bring the land into cultivation. . . . Retail prices have not been so much reduced as wholesale, yet retail tradesmen were never so much distressed as they are at present; they have so many bad debts, so much competition, and such diminished sales. To these classes, a depreciation of the currency would be highly beneficial; it would enable the debtor to discharge debts which he cannot now pay without destruction."

The agricultural distress, into the particulars of which we have thus been led to enter at some length, followed by the panic of 1825, and numerous failures amongst the private Bankers in the country, produced another consequence, at which it is necessary to glance here; although a better opportunity will present itself by-and-by, for noticing it as fully as its importance and effects demand,—I allude to the introduction of

joint-stock Banks in 1826, at the particular instance of Lord Liverpool's administration. The origin and progress of these useful institutions, will occupy a separate chapter; but they cannot be passed silently over in a sketch of the affairs of the Bank of England, because they were avowedly brought into life for the express purpose of subduing some of the evils, to the correction of which that establishment was pronounced unequal.

In 1832, the joint-stock Bank plan having had some trial, and the improved system which the Bank of England was to have derived from experience having been fairly tested; the House of Commons availed itself of the opportunity presented by the approaching termination of the Bank Charter, to appoint a committee to inquire into the expediency of renewing that charter, and also to inquire into the system upon which Banks of issue in England and Wales were then conducted. The present Earl Spencer, then Lord Althorpe, being chancellor of the exchequer, sat as chairman of this committee, to which it would be unfair to deny the merit of having elicited a body of general information, interesting and instructive in a high degree. Still, as a whole, it is an imperfect and powerless labour, and far short

of the occasion. We feel, it is true, in going through the evidence, that a good deal is told which had not been so well known before; and that sufficient data are furnished, to enable us to substantiate, in the most conclusive manner, the best doctrines applicable to the question: nevertheless, that there is a marked want of practical demonstration in the inquiry, and that, however clear may be the exposition of past mistakes, no guarantee or security is afforded against their recurrence. We have nothing but a repetition of the old story. Past misconduct is admitted, and the way by which it was to have been avoided is explained; but they who found their account in committing mistakes before, are left free to commit them again: and accordingly they have committed them; and so they will go on, until there shall arise some talent more original and commanding than has yet manifested itself in these long and wearying investigations, which shall strike into a new and superior path, and compound from the dull and clouded chaos around, some as yet undiscovered elements, to give the practice of the science a force, cohesion, and insistency, of which it has hitherto proved so lamentably deficient.

The committee of 1832 led to a renewal of the

Bank Charter for an additional term of ten years, and a re-enactment of the legal tender clause, a privilege ceded by Lord Althorpe with the view of aiding the Bank in keeping a constant supply of gold in the country adequate to the wants of the public. In this, as the result showed, there was nothing gained; so far, therefore, the inquiry of 1832 was as feeble in producing practical advantages as all preceding ones had been. Nevertheless some of the information drawn out upon the occasion was pertinent and unusually satisfactory. The Bank now stated definitively the rules and principles upon which its business was conducted; and those rules and principles were generally admitted to be sound, judicious, and consistent with experience and authority. It is one thing, however, to settle a set of principles, and another to act upon them. Those by which the Bank directors of 1832 professed themselves bound were well explained by Mr. Horsley Palmer then governor, and by Mr. Ward one of his colleagues, and may be reduced to the following:

1st, The Bank controls the currency of the country, and can contract or diminish it without the interference of the public.

2nd, The issues of the Bank should be regulated

by the state of the foreign exchanges which govern the stock of bullion: when these are at par the currency is full. Strict attention is also required, to the circulation of the private and joint-stock Banks, as an undue extension of their paper leads to a demand for gold upon the Bank.

3rd, The securities of the Bank should always be kept fixed, and its amount of bullion should always be equal to one-third of the total liabilities it is under to pay on demand, which of course will include deposits as well as issues [3].

Such were the cardinal points of action set forth in 1832 as those upon the application of which a sound system of currency was to be secured. The Bank then admitted that it had full power in its own hands for good or for evil; and the expectation upon the part of the public naturally was, that the maxims referred to, having been set up as the true ones, would be strictly observed, and a safe and steady currency thenceforward be maintained. By

[3] The operation suggested for this purpose by Mr. Horsley Palmer, their governor, was to take a period of full currency, and consequently a par of exchange, and to invest and retain in securities two-thirds of the available funds of the Bank, and to hold the remaining third in bullion. Thenceforth, the Bank was to retain the aggregate amount of securities unaltered, and leave any demand arising on the part of the public in presenting notes, to fall exclusively upon the coin and bullion.

those means all would go well; and no more panics were to be brought about by improvident Bank management. This, I repeat, the public fully expected, forgetting the ninth beatitude, in Dean Swift, "Blessed are they that expect nothing, for they shall not be disappointed!" The public expected, and the public was disappointed; in the three next years there were two panics, and during their prevalence the notable discovery was made, that the celebrated rule of 1832 was incorrect in principle, unsound, and cannot be always acted upon. In short, it is effective against a Bank of issue, but not effective against a Bank of deposit also.

The first of these panics took place the same year; it was a political panic, and not chargeable against the Bank. It is, however, remarkable as an instance to show the danger of dogmatizing upon Banking, and the risk we shall always be exposed to if we rely with extreme confidence upon any set of maxims whatever. For of these, one and all, it may be said with great safety, that they depend entirely for success upon having a clear stage and no favour or prejudice. They have each essential conditions, which must not be varied or interfered with, or their virtues take wings and fly; hence their inherent insecurity

if brought to bear upon a country exposed to political agitation. But though fear seized the people when Lord Grey's reform ministry was in jeopardy, and they ran so furiously for gold, taking three hundred thousand sovereigns in a day, as to drain the Bank of more than two millions in about a month, no such extraordinary cause started into operation to bring about the formidable panic of 1836; on the contrary, it is not difficult to show that the Bank produced it; produced it, moreover, by systematically violating the principles of sound action which, in 1832, it had set up as a standard, and professed to observe.

It is rather a curious fact, and one that shows but too plainly how little the Bank directors are to be relied upon for anything like a faithful adherence to their own rule of right, that some of the remote causes of the great panic of 1836 set in as early as 1832; and that while the committee of that year was sitting, those causes were detected and pointed out by one of their own body. Mr. Ward, in his evidence, June 21st, 1832, adverting to the derangement of the currency, spoke thus:—"There is now an influx of gold to the Bank greater than is required to meet the demands of the public; and I believe it will have a very pernicious effect. That influx has

amounted already to two millions since March. Suppose the dividends come out on the 9th of July, and suppose those persons, that have already (during the ministerial interregnum) hoarded a million and a half or two millions of sovereigns, change their humour, and bring them back to the Bank; you will then have two millions of notes more in the market, and you will perhaps have six millions issued from the dividends, making eight millions. No man can deny that such an amount as eight millions of notes brought upon the public in addition to about sixteen that now exist, is a most inconvenient situation."

We thus perceive that Mr. Ward foresaw and forewarned the Bank of one of those awkward instances of prosperity which seldom present themselves without proving forerunners of a series of fluctuations, and are usually found to turn ere long into a panic, and end in a crash. The action of the Bank under such circumstances is therefore matter of some interest: was it consistent? was it prudent? was it successful? The published accounts show, that in December, 1833, its issues were 17,469,000*l.*, and the bullion in store, 10,200,000*l.*; adding the deposits to the circulation, its total liabilities to pay on demand amounted to 32,629,000*l.* The due

proportion of bullion in reserve, therefore, having been fixed at one-third of these liabilities, it follows that there ought to have been 10,876,000*l*. of gold in the Bank, whereas it had, as just stated, no more than 10,200,000*l*. The difference between the two sums last given is the measure of the departure from the rule of right.

The exchanges, moreover, were not in our favour at this period; another standard rule was thus violated by the Bank. In March, 1834, the 10,200,000*l*. of gold was reduced to 8,753,000*l*., therefore a proportionate decrease in the circulation ought to have taken place, that is, if the rule of right was to be observed; but it was not observed. In March, 1834, there was an increase and not a decrease of bank-notes, the amount of which was 18,544,000*l*. A loss of bullion to the amount of 1,447,000*l*. was met by an addition to the circulating medium of 1,074,000*l*. So much for principle, and the rule of regulating the issue of bank-notes by the foreign exchanges.

Proceeding to March, 1835, we find the bullion, which had been gradually diminishing, reduced to 6,295,000*l*.; against which the circulation was kept as high as 18,152,000*l*. Thus we see the circulation all through, from 1833 to 1834, larger by four

millions than it ought by rule to have been. This, it is obvious, was system—the wrong way.

Early in 1836 the wrong system began to be felt. There was, to borrow a well-turned sentence from Mr. Horsley Palmer, "a moral apprehension, in all prudent minds, that there was mischief abroad." And the Bank directors, finding the steed stolen, ran to lock the stable-door in a great hurry, and make all fast. According to City phraseology, money became tight directly. The directors, who blamed the private Banks for the panic of 1825-6, now sought to attribute the rising fever to the joint-stock Banks. A committee was appointed by the House of Commons to inquire into the working of the joint-stock Banking system, and it precipitated the evils it was intended to cure. The proceeding, like the others by which it has been followed, was one-sided and unfair. The inquiry was specifically directed, first, against joint-stock Banks, and then against Banks of issue; but in no instance against the Bank of England, although every man in the slightest degree acquainted with the subject, must have felt that the action of that establishment lay at the root of the evil.

The "moral apprehension" became vivid. The Bank raised the rate of discount to five per cent.;

it sold exchequer bills until they fell down to ten shillings discount, and became a drug in the market. The directors then drove the chancellor of the exchequer to increase the interest upon them, first from $1\frac{1}{2}d.$ a day to $2d.$, and afterwards to $2\frac{1}{2}d.$ Convulsive efforts were made to stem the flood, but still there was no relief. In Ireland a joint-stock Bank, called "the Agricultural and Commercial Bank," with a large number of branches, suspended payment; and there was a run for gold in Ireland. In England, two long-established Banks failed in Carlisle; as did at Manchester the Northern and Central joint-stock Bank, with extensive branches in most of the manufacturing towns. To this establishment the directors of the Bank found themselves compelled to advance more than a million and a quarter of money. It was a choice of evils: they knew it was wrong to add to the currency at such a moment; but if they did not succour this concern, they feared there would be a general stoppage of the Lancashire Banks. They preferred the lesser evil; they put more than a million of notes into circulation. But the symptoms of the disorder did not abate: Esdaile's Bank, one of the most respectable in London, stopped, notwithstanding a powerful effort to sustain it upon the part of the Bank of England,

and other London firms[4]. Consols fell four per cent.: the Bank tried but could not sell the dead weight. Distrust became general, and credit all but extinct. In vain they sent silver abroad to bring gold in exchange; the discount and commission upon the very first bills in the London market rose to eight per cent., while those of the second class were hardly discountable at any price. Of the bankruptcies that now took place, and the extreme depression of our manufactures and commerce, it would be impossible to give an exact account. Prices fell forty per cent.; in the manufacturing districts there was no employment for the workmen; merchants stopped payment in numbers, not because they were insolvent and had no property, but because no market was to be had for their goods, no discount for their bills, no advance upon their stocks. It was a rare and melancholy sight to behold English merchants going through the Gazette in numbers, while their warehouses were full of commodities, and their characters unimpeachable for knowledge of business, integrity, and ex-

[4] The private Bankers in the City—all except Jones Loyd's, and Grote's, who refused to be parties to the transaction—subscribed 5000*l.* each in aid of Esdaile's firm, but to no purpose, it became bankrupt notwithstanding.

emplary conduct: yet such were the incidents that characterized the panic of 1836.

It should not be forgotten, that all this while there were Banking Committees inquiring into the subject in the House of Commons; there was one before and another after this particular panic: and the only palpable consequence to be traced in connexion with these labours is, that there was another panic in 1839, which may be said to have extended itself, by a series of fits and convulsions, all through the years 1840 and 1841, at which date our commercial system was reduced to the lowest ebb of distress. The number of Banks which stopped or disappeared during this interval was unusually great, the difficulty of getting money as rigid as ever, and the stagnation of our commerce, the scarcity of good mercantile paper, extreme; nevertheless upon one and all of these matters, teeming as they were with mischief, terror, and distress, these committees were as silent, and appeared as indifferent, as if they had occurred in another world, and did not in the most remote degree concern the fortunes or the comforts of the people of England.

In this series of complicated disasters, a bad harvest is again to be noted as a leading fact in the heavy chain of events that dragged after. In 1838

our grain crops failed, and then came a drain of bullion upon the Bank of England to the amount of more than seven millions. In the three following years the harvests were again deficient. Concurrent in part with these adverse circumstances, and rendering their effects still heavier and more protracted, was the American crisis, as it is termed, which can hardly yet be said to have completed the circle of its violence. In 1838 the Bank of England violated its principle of leaving the stock of gold to be acted on by the public only, by sending a million of sovereigns to restore credit in America, but to no purpose; the American difficulties grew still more formidable, and the Bank of England itself became soon after nearly as much straitened as ever. Between January and October, 1839, the drain of specie from its vaults amounted to ten millions. While that process of exhaustion was going on, an attempt was made to check it by selling the dead weight; but as no adequate price could be obtained in the market, a portion was pledged to the Bank of France for a loan of two millions and a half, and another portion to the East India Company for 750,000*l.* in exchequer bills. Every effort, and all expedients for relief, proved vain; the drain of gold, though suspended

while the bills were in course of exchange upon which the foreign loan was based, set in anew as soon as that fictitious diversion had subsided, and proceeded on through 1840 and 1841, in the month of October, in which year the last and most striking evidence of our monetary distress was given, in the published returns of the total amount of the paper circulation of England, which was then under twenty-six millions [5],—the lowest sum I believe the country had been reduced to during the present century.

I might here, but I shall not attempt to, paint in the heavy colours appropriate to such a subject, the different shades of gloom by which the successive stages of these three years of misfortune were characterized. From that painful and uninviting picture the reader will probably not regret to be relieved, the more particularly as the main points on which it would be necessary to dwell—those, namely, which establish the share

[5] The average circulation of England published in the London Gazette for the four weeks ending December 24, 1841, was

Bank of England . . .	£16,292,000
Private Banks	5,718,211
Joint-Stock Banks	3,217,812
Total for England . . .	25,228,023

which the constitution and operations of the Bank of England have had in producing and prolonging the calamity,—will fall rather prominently under our notice in the following chapter, which refers to Mr. Samuel Jones Loyd, and the various publications in which, as well as in his evidence before Parliament, that gentleman has criticised the accounts and proceedings of the Bank of England for many years past, and insisted upon the propriety of regarding the foreign exchanges as our only guiding points in the regulation of the currency.

CHAPTER VI.

Mr. Samuel Jones Loyd's principles and pamphlets on the currency—Corrects the mistaken views of Messrs. Harman and Dorrien, by those of Messrs. Ward and Horsley Palmer—Character of the latter—His safety-rule for regulating the currency, propounded in 1836 on behalf of the Bank directors without qualification, and admitted in 1840 to have had weak points, which were known—His pamphlet in 1837 on the causes and consequences of the pressure upon the money-market—Mr. Jones Loyd impugns the views of Mr. J. B. Smith and the Manchester Chamber of Commerce, as to the effects of the administration of the Bank of England—Publishes in 1839 the best account of the progress of opinions relating to the currency, and attacks the Bank management of that year—Loan of 2,500,000*l*. from the Bank of France—Double functions of the Bank of England incompatible—The foreign exchanges—Examinations of and exceptions to Mr. Jones Loyd's doctrine respecting them—The effects of a two years' struggle to enforce it, &c. &c.

The influence I conceive Mr. Ricardo to have possessed as a monetary economist, has been indicated by the notice I have thought it right to take of his principles and publications. Since the period at which he was a leader of the Bank reform party,

no individual has enjoyed so large a share of public regard and attention as Mr. Samuel Jones Loyd, of whose useful and vigilant labours I am now about to offer a brief account. Mr. Jones Loyd, like Mr. Ricardo, has the advantage of being at once a practical authority and an abstract reasoner upon the subject of money: it is his business as a merchant, his study as a scholar. Like Mr. Ricardo, too, he has added considerably to the weight his opinions are so well calculated to carry, by several well-timed and well-written pamphlets, and by repeated examinations as a witness before parliamentary committees. Having never been a member of Parliament, he has had no opportunity of inculcating his doctrines, and leading a great political party or the public to adopt them, by speeches in the House of Commons. There is another respect in which he differs from Mr. Ricardo: he has not been a discoverer, and has neither set up new principles nor propounded new rules of action. On the contrary, the cardinal point on which he lays the main stress of all his arguments and the weight of all his facts,—the one great hinge upon which he would turn the complicated machinery of our monetary system, to make it move smoothly and securely,—was developed before he became either a

witness before Parliament, or a writer upon Banking. In truth, his chief care, ever since he has addressed the public, seems to be, not so much to show what his own views are, as that others have preceded him who proved, long ago, the case he advocates, and carried conviction even to those whose greatest censure it is, that they have mismanaged the currency in the teeth of that conviction.

Mr. Samuel Jones Loyd made his first public appearance, I believe, as a leading witness and authority upon Banking and Currency, before the Bank charter committee of 1832. The house of which he is the junior partner had been represented, in the inquiry of 1819, by his father, Mr. Lewis Loyd. There are but faint traces in his early evidence, of that firm breadth of opinion and correctional superiority, by which he has since then so highly distinguished himself. We recognise in 1832 the fulness of his information, his strong mind and cautious judgment, and note in him a better style of expression than men of his class generally attain; but we find him speaking, if not very favourably, still leniently, of the Bank administration; and not as we have repeatedly seen him of late, inculpating its management with

decision and severity, and tracking to their source with keen sagacity, the mischiefs of which that management has proved the too abundant source. About the strongest things he said, as far as I have remarked, against the Bank on that occasion, are embraced in the answers to questions 3466 and 3471 ; where, adverting to the convulsion of 1825, he thought, "A good deal of the mischief was originally attributable to errors on the part of the Bank and the Government . . . . . The previous state of things, the general excitement and enterprise, and the unguarded condition in which both mercantile and Banking concerns were found, had been in a great degree caused by imprudent transactions on the part of the Bank, urged principally by the Government. I allude in a great measure to the increase of issues ; for instance, the purchase of the dead weight, advances upon mortgage, and other similar transactions."

This character of moderation may be said to pervade all that has fallen from Mr. Loyd, as a witness before Parliament from 1832 to 1841. When he writes he is quite another man : on paper he is a censor and instructor of superior ability and irresistible influence. It is as a pamphleteer, therefore, that we are to measure his

powers and force as an antagonist of the Bank of England. For whether it is that there is something inherently discursive in the mode of examination; or, that the tone of a Parliamentary committee, reflecting the urbanity of the circle of good society, in which the members composing it move, subdues and refines the manner and form of putting and answering questions, and the matters they embrace; or whether it is, again, that there is something incurably soft, forbearing and inefficient in the secret nature and artificial composition of the inquiring body; certain it is that Mr. Loyd's pamphlets have a degree of strength, point, and completeness, which is not found in his *viva voce* evidence. To his pamphlets, accordingly, I shall refer for an outline of the strong case he has so clearly made out, and so vigorously maintained against the Bank of England; and for this purpose I select his "Reflections suggested by a perusal of Mr. J. Horsley Palmer's pamphlet in 1839;" his "Letter to J. B. Smith, esq. president of the Manchester chamber of commerce, 1840;" and his "Remarks on the management of the circulation," &c., published somewhat later in the last named year.

Mr. Loyd sets out by showing, with the greatest

propriety, that there was a period—one so recent as the year 1819,—at which the directors of the Bank of England, did not profess to be aware of, or to be bound by the first rudiments of the knowledge proper and peculiar to men of their calling and business; and that the management of the circulation, during what he calls the suspension period, was not regulated by reference to any definite or established principles.

As Mr. Loyd is a good writer, as well as a good reasoner, I shall freely adopt his own language upon this and other occasions.

"Neither upon the subject of the measure by which the excess or deficiency of the amount of the circulation was to be determined; nor of the means by which the circulation when in excess, was to be restricted; nor of the mode by which the amount of the circulation affects the state of the exchanges; nor of the principle upon which a reduction of its issues was calculated to secure to the Bank its competency to discharge its notes in gold; does it appear that any clear and fixed views were entertained by those who at that time were entrusted with the management of the currency. A supposed obligation to meet the real wants of commerce, and to discount all commercial bills

arising out of legitimate transactions, appears to have been considered as the principle upon which the amount of the circulation was to be regulated; whilst the single circumstance which, under such a system, could keep their issues within any reasonable bounds, viz. the accidental fact that the market rate of interest for bills of the description which were alone discountable at the Bank, did not materially or for any length of time exceed the Bank rate of discount, was wholly unobserved, and therefore unappreciated by them.

"A connexion was admitted to exist between the state of the exchanges and the amount of the circulation; but no definite idea was formed of the nature of this connexion, nor was it deemed that any practical rule could be deduced from it, for the guidance of the Bank in regulating the amount of its issues.

"The rate of interest seems to have been looked upon as a much better barometer for measuring the fluctuations of the circulation; whilst a reduction of its issues was held to be a measure of protection to the Bank, not so much on account of any influence it might exercise upon the state of the exchanges, and its consequent tendency to put an end to the inducement for demanding

gold, as on account of its simple effect in reducing the absolute amount of notes which would be presented for gold. Indeed, the doctrine that the state of the exchanges is influenced by the amount of the circulation, was formally denied by a solemn resolution of the court of directors, passed March 25th, 1819, and laid before Parliament. 'That this court cannot refrain from adverting to an opinion, strongly insisted on by some, that the Bank has only to reduce its issues to obtain a favourable turn in the exchanges, and a consequent influx of the precious metals; the court conceives it to be its duty to declare that it is unable to discover any solid foundation for such a sentiment.'"

. . . .

"Having accumulated a considerable quantity of specie, the Bank thought that the most natural and effectual mode of preparing for a general resumption of cash payments, was to spread the accumulated store of specie throughout the country by the intermediate adoption of a partial resumption." *Remarks*, &c.

This is carrying the case home to the chimney corner of the Bank parlour, and upsetting the directors under their own table. But the severe

critic, conscious of his own strength, is not content with a general summary, but calls the parties forth by name, and convicts them out of their own mouths. Mr. Harman, and Mr. Dorrien, both governors of the Bank, had been examined in 1819, on which occasion it appears—

Mr. Harman is asked :—

"What is the indication of there being circulation enough in the country, neither too little nor too much, and what the regulator that determines that sufficiency ?—If it is meant to allude to discounts, I should have only the old answer to give; undoubtedly good paper being sent into the Bank for discount, of which we must judge the best we can, that is the criterion ; I take for granted that established houses of good character would not come to the Bank to pay five per cent. for money, if they did not want it.

"What regulates, in your opinion, the amount of circulating medium which is necessary for the purposes of the country ; is it the amount of revenue and expenditure and the general amount of foreign trade in the country, or on what other circumstances does the amount of the circulating medium depend ?—I should think decidedly what has been suggested, the amount required for the

revenue, and the general expenditure, and also what is wanted for inland and foreign trade.

"Do you think that the increase of the issues of paper would not increase prices?—I think an *undue* increase of the issues of paper decidedly would increase prices.

"What do you mean by undue in that sentence? —The meaning of the word 'undue,' in that sentence is an over issue; if more paper is issued than the honest real wants of the public require, that certainly would have an unfavourable effect upon prices.

"Do you mean by that, more paper than private individuals may employ with profit to themselves? —More paper issued than private individuals may employ with just profit to themselves; if so large a sum of paper is issued as to induce men to speculate improperly, that I should say was an undue issue.

"State what you consider to be the criterion of a superabundant issue?—The criterion of a superabundant issue is when money will not produce a sufficient interest. I think, when in fact there is no demand for money, it will very soon discover itself in the money-market, whether there is a superabundance or not.

"In what manner?—It will be, if I may use the phrase, hawked about at a lower rate of interest than is usual.

"Do you think that the foreign exchanges are affected by any considerable increase or diminution in the amount of the issues of the Bank of England?—I cannot say that I have ever thought that they are.

"With a view to what immediate effect would the Bank reduce their issues?—To the consideration of their own security, and to make themselves as independent as possible, in order that if there should be a run upon them they should have the means of fulfilling their engagements. Putting, as the Committee invite me to do, the consideration of the public out of view, it would then be for the safety of the Bank exclusively that I should act, and therefore reduce the issues at all events, that we might fulfil our own engagements.

"Would it be with a view to facilitate the purchase of gold by the reduction of its price in the market?—That would not be my first object; an extravagant lowering of the amount of paper would very likely have the effect of lowering the price of gold, but inasmuch as we withdraw from circulation our paper, the means we already possess would be more equivalent."

Mr. Dorrien is asked,—

"Is the Committee to understand that the Bank of England regulate their discounts solely by a view to the nature of the transaction and the state of the parties, and not with any view to the state of foreign exchanges?—If a house which is in the constant habit of dealing in exchanges were to send in a large sum for discount, at a time that the exchanges were unfavourable to the country, it certainly would become a part of the consideration.

"Is that because such a state of exchange might affect the credit of the house?—No; with reference to the good of the country at large.

"Then the discounts of the Bank of England are influenced by a view to foreign exchanges, in a case where the applicants for discount are foreign merchants?—Where they are dealers in exchanges.

"Are the discounts of the Bank of England in all other cases regulated solely by a regard to the transaction and the character of the parties?—The various circumstances that bear upon the question, the solidity of the party, the amount of their account, and the nature of their business, are taken into consideration.

"In any other case than that you have stated, would regard be had to the state of the exchanges?

—I do not think that that is made a consideration in a general way."

. . . . . .

"Do you conceive the effect of the repayment by Government of a portion of the Bank advances, would be the reduction of the issues of the Bank? —The Bank is always ready to lend on commercial paper that is legitimate in its origin, and is not carried to too great an extent by the parties who apply for discount. The issues of the Bank would be regulated according to the absolute wants of the country, but that must be learnt by experience." (*Remarks*, &c. pp. 6—9.)

Such having been the notions of the directors with respect to the currency in 1819, Mr. Loyd points to the curious and striking change of opinion upon the part of the Bank, and the corresponding modification of her system, in 1832; when Mr. Ward, then a director, said in his evidence:

"In the year 1819, when the Committee sat, there were some resolutions forwarded to the Committee from the Bank, stating some of the principles they had regarded; and it will be recollected that they distinctly denied the principle, that the exchanges were to be regarded in regulating the issues. Subsequently to that period, opinions be-

came changed, and of course, in the working of the machinery, they found the merits of the case such as they really were; and a growing disposition manifested itself to heed, in a greater degree than they hitherto had done, the principle of exchange and bullion; but in 1827, I moved that that resolution should be rescinded, and from that moment I have considered it the practice of the Bank, and it was the practice, in a great degree, even previously to that." (p. 143. Q. 2074.) . . . . . "It was first considered a theoretical notion, but subsequently it was found, little by little, that the practice did agree with the theory." (*Remarks*, &c. p. 20.)

The great Bank champion, however, in 1832, was Mr. Horsley Palmer, then its governor; and it is due to him on account of his position, of the part he undertook to act, and the foes he drew down upon him, to let him stand out conspicuously in his own person, and wield his weapons according to the fashion he preferred.

Of this gentleman's public performances I desire to speak with respect, but without flattery. He is decidedly clever; but appears to be neither very scrupulous nor over-candid. In 1837, Col. Torrens, the well known writer upon Banking and Political

Economy, addressed a letter to Lord Melbourne on the causes of the recent derangement in the money-market, &c. Soon after this, Mr. Horsley Palmer brought out his "Causes and Consequences of the Pressure upon the Money Market," in which he replied to the colonel, point by point, but declared that this was quite accidental, and had been done without his having seen, while he was writing, what had been written by his adversary on the other side! Again, he propounded in 1832, without any qualification, and took credit to himself, while it was thought to be unexceptionable, for the celebrated safety-rule of management; but when it had failed in operation, and was proved to be no specific, he permitted, in silence, the imputation to rest upon the directors, whose mouth-piece he had made himself, of having been aware that "the principle was not perfect, and that they knew *its weak points.*"

Being asked the principle by which, in ordinary times, the Bank is guided in the regulation of their issues? he answers, "(excepting under special circumstances) it is to invest and retain in securities bearing interest, a given proportion of the deposits, and the value received for notes in circulation, the remainder being held in coin and bullion; the pro-

portions which seem to be desirable, under existing circumstances, may be stated at about *two-thirds*, and one-third in bullion; the circulation of the country, so far as the same may depend upon the Bank, *being subsequently regulated by the action of the foreign exchanges.*

"By the circulation of the country, do you mean the whole circulation of the country, and not the country circulation?—*The whole circulation of the country.*

"When you say that, as a general principle, you think it desirable to have one third of bullion in your coffers, against your circulation, you mean to include in that circulation not only your paper out, but all deposits, whether of Government or individuals?—Yes.

"In short, all liabilities to pay on demand?—Yes.

"And you hold the liability to pay on demand, arising from a deposit, to be an equivalent to a note out?—I hold it to be that sort of liability which the Bank are bound to provide for by a reserve of bullion.

"Do you think the liability arising from the deposit to be more dangerous to the Bank as to sudden calls, or less dangerous to it than the same amount out in paper?—Less dangerous.

" According to your description of the principle upon which the affairs of the Bank are conducted, do not the directors of the Bank of England possess the power of regulating the whole circulation of the country?—The Bank are very desirous not to exercise any power, but to leave the public to use the power which they possess of returning Bank paper for bullion.

" Would the exchanges be corrected if the amount of currency was left wholly in the hands of the public?—They have been principally corrected under that management.

" Is the Bank exposed to no inconvenience by waiting to have the correction take place in this method, in preference to itself interfering, by that power, to diminish the circulation in case of a fall of exchange?—No; provided they are adequately supplied with bullion when the exchanges are at par, and which proportion I have stated to be about one-third.

" Does not the Bank, if it think proper, possess the power of extending the currency, or of diminishing it, without waiting for the interference of the public?—It has the power.

" Would the Bank forcibly contract their issues, by a sale of securities, during an unfavourable course

of exchange with foreign countries; and would they forcibly extend their issues by the purchase of securities, when the exchange was favourable?—I think not, except under special circumstances.

"You mean to say, that the Bank would not forcibly do that; but that it would leave it to the public to act upon the Bank, and produce the effect at which it would arrive?—I do.

"It appears by the accounts before the Committee, that for the last four years, the amount of securities in the hands of the Bank varied very little; do you consider it important, in the management of the Bank, to keep the securities at nearly the same amount?—As nearly as the same can be managed.

"What is the reason why you think it necessary to keep the securities at the same amount?—Because the public are thereby enabled, without any forced action on the part of the Bank, to act for themselves in returning notes for bullion for exportation, when the exchanges are unfavourable. If the exchanges continue favourable for any great length of time, then the influx of treasure will command an increased issue of paper, and which may derange the proportions; *but it does not follow that the Bank ought, upon that account, immediately to ex-*

tend its issue upon securities. When, however, it is clearly ascertained to be desirable that part of the excess of bullion so received should be returned to the Continent, then it may be necessary for the Bank to reassume its proportion, by transferring part of the bullion into securities, *still preserving the proportions of one-third and two-thirds.*

" In times of great commercial prosperity, would not the leaving to the public the correction of a redundant currency lead to a greater redundancy, and to excessive speculation ?—I think not.

" You have stated one-third of bullion to be, in your opinion, about the proper proportion for the Bank to hold in proportion to its liabilities ; is that proportion the result of your experience in the management of the Bank ?—Yes, with reference to periods of a full currency." (Report, pp. 11, 12.)

Such, by their own confession, being the mode and terms upon which the currency ought to be managed, and things after a short interval still going as wrong as ever, it is needless to add, that much discontent arose, and many fault-finders presented themselves before the public, to arraign the conduct of the Bank directors. The case of the complainants was certainly a strong one : many facts, and cogent reasoning sustained them ; they

tried the Bank upon the premises she had herself selected, and convicted the culprit out of her own mouth.

Mr. Horsley Palmer having been the Bank organ to lay down, as certain and positive, a rule of action, the application of which was afterwards questioned, naturally came forward in its defence, and for this purpose published, in 1837, the pamphlet entitled, "Causes and Consequences of the Pressure upon the Money-Market." The points in discussion are instructive in many respects, and in none, perhaps, more so than in the example they furnish of the degree of dependence which is to be placed in the declarations of a body circumstanced as that of the Bank direction. I shall, therefore, make no apology for giving the following abstract of the case.

The charge against the Bank specifically was, that it had mismanaged the currency by violating its own rule of conduct, in not keeping up the required proportions between its liabilities and stock of gold. Against this Mr. Palmer urged, that the proportion had been generally maintained, and that, from December 1833 to April 1835, "the premium upon gold in Paris was nine per mille;" and "there was no demand upon the Bank for bar-gold, and no *profit* upon the export of that metal." But by

March, 1834, whatever may have been the opinion of the directors as to the *profit* of exporting gold, their bullion had fallen away from 10,200,000*l.* to 8,753,000*l.*; whilst, instead of an equivalent reduction in their circulation,—which, according to their principle, should have been contracted under the action of a decreasing stock of gold—the notes out amounted to 18,544,000*l.* This was an emission of 1,074,000*l.* of paper in the face of a loss of bullion amounting to 1,447,000*l.* So much for principles. A gradual diminution of the gold went on until March, 1835, when the reserve of bullion was only 6,295,000*l.*, the circulation continuing as high as 18,152,000*l.* Here, again, admitted principles were further departed from. All this time, with the exception of two short intervals, during which the Bank, by a violent but not sustained contraction of the circulation, recovered some small portion of its gold, the foreign exchanges, as might have been expected, continued adverse. The published account of November, 1836, gave—circulation, 17,543,000*l.*; bullion, 4,933,000*l.* In February, 1837, when the stock of bullion reached its lowest point, the average circulation had advanced as high as 17,868,000*l.*, the bullion being no more than 4,032,000*l.*

These were the official facts Mr. Palmer had to rebut, and he met them as follows:—

"The liabilities and assets of the Bank in October, 1833, upon an average of the three preceding months, were,

	£.		£.
Circulation,	19,800,000	Securities,	24,200,000
Deposits,	13,000,000	Bullion,	10,900,000

"On the 27th December, 1836, the bullion was 4,300,000*l.*, showing a reduction of 6,600,000*l.* The circulation was then 17,300,000*l.* and the deposits, *excluding those of a temporary character*, (four and a half millions,) were 9,200,000*l.*; the diminution of the two taken together having been 6,300,000*l.*"

Having got rid of four millions and a half in this statement in so many words, Mr. Palmer's boldness as a sophist, and his rashness as an advocate, will appear in the explanation he subjoined to justify this emission.

"It may here, perhaps, be as well to explain the nature of what are termed extra-deposits, in order to show that they are independent of the regular working of the Bank. They have consisted of money belonging either to government, or the East India company, altogether independent of their ordinary

transactions. The first arose out of the contract for the West India loan, upon which a discount was allowed for prompt payment higher than the market rate of interest; and as the prompt payments thus made were not required for issue to the West India claimants for several months afterwards, it became necessary, in order to preserve the currency in the same state, as if the payments for the loan had not taken place, and to prevent its undue contraction, to re-issue the money to the public. This was done by contract with the money-dealers, so as to insure its return to the Bank, at the time of the adjustment being made with the claimants, by the commissioners.

. . . .

"The second case was that of the East India company realizing their commercial assets, to an extent far exceeding their ordinary wants for payment, upon the commencement of the accumulation, to the extent of 600,000*l.* or 700,000*l.*, above their ordinary balances; and application was made to the Bank to ascertain whether it would undertake the risk of lending the money; paying to the company a given rate of interest . . . It never could be expected, that the Bank should be required to pay a rate of interest for notes, or

bullion belonging to others, merely for the sake of keeping them unemployed; *having at the same time no excess beyond the twenty-four and a half millions of securities, which the ordinary working deposits*, and circulation, entitled that body to hold."

From this specimen of candid statement, and sound argument, I turn with satisfaction to Mr. Loyd's reply; and venture not to mar its effect, by adding a word by way of praise, or a single fact by way of corroboration.

"This mode of getting rid of a certain part of the deposits and securities, with the view of obtaining a table which shall exhibit a desired result, is not satisfactory, because it does not rest upon any distinctive principle. The deposits in the hands of the Bank, left there by different classes of the community, and arising out of different circumstances; may, no doubt, differ in respect to their probable permanency and variation of amount; but these are only differences of degree, and make no essential difference upon principle in their nature or character. They are all equally Banking deposits, liable to those variations in a greater or less degree which are incidental to such deposits.

"The course adopted by Mr. Palmer, is a mere

arbitrary mode of making up an account to exhibit a desired result. There is no real distinction between these deposits, by which he can justify the plan of removing one class of them from the operation of a principle, to which he still holds the other classes to be subject; the fact is, that the principle is applicable only to the management of the currency; and is totally inapplicable to the management of Banking-deposits. By applying the principle to the aggregate result of the two classes of business, the Bank arrives at a rule, the possible consequences of which are of the most serious nature.

"The rule is, 'that the securities being kept equal, any diminution in the amount of specie may be met by a corresponding decrease in the aggregate amount of circulation and deposits.' *The possible consequence is, that a large diminution of specie may take place; and be met, not by a corresponding decrease of circulation, but solely by a decrease of deposits. Thus a heavy drain upon the treasure of the Bank, might take place under this rule, without any contraction of the currency by which that drain is to be checked, or the Bank to be protected.*

"The rule now adopted by the Bank is incorrect, and cannot be safely relied upon, in the

management of the currency. The rule ought to be, that the variations in the amount of circulation shall correspond to the variations of the amount of bullion; and the adherence of the Bank to this rule ought to be obvious upon the face of the published accounts. By this means, and by this means only, can we obtain 'a paper circulation varying in amount exactly as the circulation would have varied, had it been metallic.'"

Mr. Palmer further pleaded that the mischief had been produced by over issues upon the part of the joint-stock Banks; and to this, Mr. Loyd retorted with singular dexterity and effect; that the Bank of England had failed to give the warning due, and always expected under such circumstances.

Another passage disposes of the whole case.

"The following is a statement of the circulation and bullion of the Bank, as given in the monthly returns which are published in the gazette, from January, 1836, to February, 1837, inclusive.

	Circulation.	Gold.
1836.	£.	£.
January 12. . .	17,262,000	7,078,000
February 9. . .	17,427,000	7,498,000
March 8. . . .	17,739,000	7,701,000

	Circulation.	Gold.
1836.	£.	£.
April 5. . . .	18,063,000	7,801,000
May 3. . . .	18,154,000	7,782,000
May 31. . . .	18,051,000	7,663,000
June 28. . . .	17,899,000	7,362,000
July 26. . . .	17,940,000	6,926,000
August 23. . .	18,061,000	6,325,000
September 20. .	18,147,000	5,719,000
October 18. . .	17,936,000	5,257,000
November 15. .	17,543,000	4,933,000
December 13. .	17,361,000	4,545,000
1837.		
January 13. . .	17,422,000	4,287,000
February 10. . .	17,868,000	4,032,000

" Upon an inspection of this table we can not fail to remark,—

" 1. That the circulation is considerably higher at this moment than it was in January, 1836, although during this period the bullion has undergone a very large diminution.

" 2. That the circulation continued steadily to increase from January, 1836, up to May; and that even in September it was at the same amount at which it stood in May, although the drain of bullion was,

by Mr. Palmer's acknowledgment, in full force from April to September.

"3. That there does not appear to have been any effectual reduction of circulation, subsequent to the rise of interest upon exchequer bills; although this measure was loudly called for as necessary to enable the Bank to realize its securities, and thus reduce its issues. We would ask any reflecting person to look first to the column of bullion, and mark its regular and rapid decrease; then to compare with this the column of circulation, terminating with a larger amount than that with which it commences; and having done so, to declare whether he discovers any evidence of the Bank *having made the amount of its circulation to fluctuate as it would have done, had it been purely metallic;* or whether he can perceive, during the drain of bullion which commenced in April, or during the months which immediately preceded that event, any signs of that steady and undeviating contraction of circulation on the part of the Bank, on which alone any just objection to the conduct of the joint-stock Banks can be founded? It is not a satisfactory reply to this question to say, 'that the diminution of bullion has been met by a diminished amount of deposits.' If the joint-stock Banks see, by the published returns,

that the circulation of the Bank is maintained at its full amount; they are warranted in concluding that there is no real call for a diminution of their issues, notwithstanding that some of the depositors in the Bank may have thought proper to draw from it a portion of their funds. Indeed, the Bank is not entitled to calculate at all upon the long-sightedness *or prudence of the joint-stock Banks, but ought to rely solely upon the influence which a steady and continuous* course of contraction on her part, must exercise upon the proceedings of her subordinate rivals. This it is clear she has not done from January, 1836, to February, 1837; and, therefore, she appears to be without any sufficient ground for attributing the whole or the greater portion of the existing derangement to their misconduct. If they have done wrong, it appears to have been from the want of that controlling action on the part of the Bank of England, which she might have exerted, and has not."

From the date of these masterly expositions, the public attention was turned from all quarters with eager respect to Mr. Jones Loyd, as the oracle from whose lips the country was sure to learn the right rule of action in money matters, and the censor upon whose judgment a confident dependence

was to be placed for a correction, at once impartial and severe, of the mistakes of the Bank of England. But in 1840 no inconsiderable portion of the currency reform party who had adopted Mr. Loyd as their leader and champion, was surprised to behold him step into the public arena of his own accord, and throw the mantle of his authority round the shoulders of the Bank directors. On the 12th of December, 1839, the directors of the chamber of commerce at Manchester, printed "A Report on the effects of the Administration of the Bank of England upon the Commercial and Manufacturing interests of the Country." To this document Mr. Loyd quickly volunteered a reply in the form of "A Letter to J. B. Smith, esq., President of the Chamber, &c." The character of this short and unexpected composition may be soon sketched. It contained passages excellently conceived and expressed; a philosophical vigour of thought and style superior to the ordinary flow of writing upon the same subject; much anxious flattery of Manchester and Manchester-men, and an emphatic deprecation of the growing license of unqualified attacks upon the Bank of England—the faults and errors of which were so lightly touched upon, that upon the whole the apology, to the eye of the

general reader, had very much the air of a panegyric.

To me the letter appears to have this principal defect; it wants that frankness and completeness as to its object and effect which constitute the author's forte, and give so much satisfaction in some of the other productions of his pen. The Manchester merchants impugned the system of the Bank of England from 1835 to 1839, reviewing as they proceeded, the relations and consequences in which that system involved the commerce and manufactures of the country. Mr. Loyd, as we have just seen, has done the same thing himself upon another occasion. His vindication in this instance rests specifically upon the management of the currency in a single year—1838—and after showing that the measures of the Bank were clear from blame in that limited period, he covered the details of the larger portion of time over which the charge extends, with a suggestion of general principles, admirably enounced, and an impeachment of the country Bankers as large participators in the offence complained of. Thus, however significantly faults and omissions are indicated in the report, which render that document an inconclusive authority, the neglect to supply upon his side matter

equally pertinent to the issue, subjects his own performance to the very charge of imperfection he was the first to bring forward; and affords the Bank an excuse—at least as far as "The Letter" goes —for claiming a verdict of not guilty upon the whole of the indictment, upon no better grounds than that the proof of extreme wrong has failed upon one out of several of the heavy pleas upon the record.

"The phenomenon," according to Mr. Loyd, "examined in the Manchester report—the fluctuations of prices and the alternations of commercial affairs —is not attributable to any one cause exclusively: it is the result of many concurring causes, dependant each upon different principles, which ought all to be carefully analysed and afterwards weighed against each other."

I quote the following passages with pleasure; they are strong in truthful merit and energetic eloquence.

"Fluctuations in the amount of the currency are seldom, if ever, the original and exciting cause of fluctuations in prices and in the state of trade. The buoyant and sanguine character of the human mind; miscalculations as to the relative extent of supply and demand; fluctuations of the seasons; changes of taste and fashion; legislative enactments

and political events; excitement or depression in the condition of other countries connected with us by active trading intercourse; an endless variety of casualties acting upon those sympathies by which masses of men are often urged into a state of excitement or depression;—these, all or some of them, are generally the original exciting causes of those variations in the state of trade to which the report refers. The management of the currency is a subordinate agent; it seldom originates, but it may, and often does, exert a considerable influence in restraining or augmenting the violence of commercial oscillations.

"What, then, were the originating causes of the recent commercial pressure?

"The succession of two bad harvests in a country afflicted with laws which render such an occurrence peculiarly oppressive to the community, and by a peculiar felicity in mischief, contrived to make monetary derangement, and consequently commercial pressure, the inevitable accompaniment of the misfortune of the seasons. The poison of impolicy is thus thrown into the fiendish cauldron of injustice,

> "For a charm of powerful trouble,
> Like a hell-broth to boil and bubble."

"Be severe; but let your severity be tempered

with a proportionate regard to justice. Condemn misconduct; but do it with discrimination. Trace every evil with unsparing research to its origin; but be sure that you reach the true source of it. Analyze the impure result by the severest test; but take care that you do not attribute to one cause alone, those effects which really indicate the presence of many deleterious principles. The phenomenon under your consideration is not a simple one, neither is the cause of it. Mismanagement of the circulation is not the primary source, it is only the contributory stream; and the foul water which it pours forth, flows from more than one polluted spring."

Notwithstanding the merit of these and other passages, there was something in the occasion and the defensive purport of this letter, by which—to use a common phrase—many of Mr. Loyd's more enthusiastic admirers were taken aback. It wore an air of caprice, if not a character of inconsistency. I presume not to say whether the writer felt this, or meant to do the Bank a friendly turn, believing it to be an injured establishment. Perhaps as Samuel Johnson, once the great critic of the Belles Lettres, would allow no one but himself to abuse Garrick, so Samuel Jones Loyd, who is

equally potential as a censor in Banking, cannot patiently endure to see a new body like the Manchester Chamber of Commerce starting up and bustling forward, saucily to let off—if I may borrow a simile from the Scotch bagpipe—the drone of his thunder in what he conceives a rude and unartist-like manner.

This is a conjecture—let me turn to realities. The sun of Mr. Loyd's popularity was not long in rising above the mists and vapours engendered by the lecture he read the opponents of the Bank of England at our principal seat of manufactures. Very soon after the publication of his letter to Mr. Smith, appeared the best of his pamphlets, entitled "Remarks on the Management of the Circulation; and on the condition and conduct of the Bank of England and of the Country Issuers, during the year 1839."—Of this masterly tract I do not think it is too much to affirm, that nothing more clear or correct upon the abstruse and complicated questions it so admirably explains, has ever been written. The letter to Mr. Smith ought to have formed a part of the "Remarks," for they did, in the best manner possible, the very thing the letter reproved the Manchester Chamber of Commerce for attempting to do. I have already taken

several quotations from it, and shall add some others: it is an inexpressible relief to me, and must, I should think, be still more agreeable to the reader, that I am thus able to diversify and improve my page with matter so full of merit and instruction.

After giving a summary, at once the shortest, neatest, and soundest I have ever read, of the progress of public opinion respecting the currency from the year 1819 to 1832—Mr. Loyd proceeds to expose the errors of the Bank of England during the course of 1839. He exhibits the circulation deposits, securities, and bullion, in that and the preceding year, and then demonstrates in the most conclusive manner possible, that in 1839 the principles laid down by the directors in 1832 were wholly disregarded, and that if it had not been for the French Loan, the Bank must have been exhausted of specie.

The drain of bullion began in January, 1839, and the stream continued to ebb with velocity, each month showing a large decrease of volume, in the face of which the Bank continued to increase her issues.

	£.		£.
In January the circulation was .	18,201,000	bullion	9,336,000
February . . .	18,252,000	"	8,919,000

March .	£18,290,000	"	8,106,000
April . . .	18,371,000	"	7,073,000

At this rate the store of gold grew less and less until October, when there remained only 2,525,000*l*. So that if, for the sake of argument, we deduct from that sum the amount of the French loan, then the last and sole resource of the Bank, and which was just two and a-half millions, there will be only 25,000 sovereigns remaining.

Upon this state of embarrassment Mr. Jones enlarges with his usual penetration:

"The corresponding diminution in the liabilities of the Bank has fallen almost entirely upon the deposits; the decrease of the circulation within the same period amounting only to 600,000*l*. Thus we have a decrease of bullion of very large amount, and to so low a point that the position of the Bank is unquestionably rendered insecure, and without the aid of the foreign credit would probably have been desperate; whilst the decrease of circulation, by which alone this course of things could be checked, and the convertibility of the notes ensured, amounted only in October to the trifling sum of 600,000*l*.; and according to the rule, might have been nothing at all, if the depositors had thought proper further to increase their de-

mands to that extent. Is not this a clear reduction of the rule to a practical absurdity; and a proof, that so long as it is applied to the joint liabilities, and not to the circulation exclusively, it affords no security whatever?

"As applicable to this point, we cannot forbear from quoting an observation which occurs in the evidence of Mr. Ward, and which puts the true principle of a paper-currency with peculiar clearness and force: 'Individually, as a director of the Bank, I do not presume to alter the King's currency, but I endeavour always to bring the paper as nearly as possible to what the currency would be if no Bank existed, and the currency were all gold.' (Qn. 144, No. 2080.) Who, then, we may ask, has 'presumed to alter the King's currency' during the last year, when we find, by the accounts before us, that 'had it been all gold' the decrease would have been 6,800,000*l.*; whilst, being a paper circulation, and 'a Bank existing,' the decrease has been only 600,000?"

The next blow inflicted upon the directors is not less mortal.

"The amount of the securities was to be kept fixed, under ordinary circumstances; but there might possibly be extraordinary circumstances in which a

forcible and more rapid *contraction* of liabilities (than that which the simple action of the public upon the Bank would produce) would be requisite. Such was the rule; what has been the practice?

		£.
"The securities in January, 1839		21,680,000
" " October	"	24,939,000
"*Increase* of securities . .		3,259,000

"The security given against the foreign credit has no doubt been written off from this account, and therefore the amount of securities under a natural state of things, without reference to the foreign credit, would stand higher than they are represented in this account by 2,500,000*l.*

"This *increase*, it must be further observed, has taken place during a period, when, if such a contingency can ever occur, those 'extraordinary circumstances' were in course of occurrence, which would render necessary a forcible and more rapid *contraction* of liabilities."

Searching through the circumstances in detail of these repeated faults, and never ending deviations from system, Mr. Loyd touches incidentally upon another of those contradictions in doctrine and practice which illustrate so curiously the history of

the progress of opinions relating to the currency amongst our Bank directors of late years.

"The obligation on the part of the Bank to uphold public and private credit when called upon, is a subject which requires very serious consideration. This extraneous support to credit will be most required in periods of commercial pressure, and under those circumstances which are the necessary and direct results of a contraction of the circulation. The Bank seems thus called upon to act in a circle; a decrease of bullion requires a decrease of issues; decreased issues produce commercial pressure, in consequence of which public and private credit is shaken; and then arises the obligation of the Bank to interpose for its support. This interposition must necessarily assume the form of an increase of discounts, and hence a second class of securities, which, in a period of pressure, instead of being diminished must be increased."

. . . .

"The directors in 1819, considered the repayment of a large portion of the advances made by the Bank to the Government, as essentially necessary preparatory to the resumption of cash payments. The reason for this demand, assigned by the directors, and acquiesced in by the Legislature,

was, that over the notes issued in the form of advances to the Government, they had not practically the same control as they have over notes issued in commercial discount. 'An issue of bank paper upon Government security is beyond the control of the Bank; an issue upon commercial bills is always within the power of the Bank.' (*Mr. Dorrien, the Governor's, Evidence*, p. 32.) This view was sanctioned by Mr. Haldimand, a younger director than Mr. Dorrien, and who, in his evidence, maintained very different and more enlightened opinions upon the general question of the management of a paper circulation. He states, 'I have no hesitation in saying, that had the Bank the control over the whole of its issues, or in other words, were the whole, or nearly the whole of its paper issued upon commercial discounts, by diminishing such issues, it might pay its notes in specie within the most limited period, and with the most perfect safety to itself.' (p. 43. Q. 31.)

"These opinions, emanating from the Bank directors, were adopted and sanctioned by the Parliamentary Committees before which they were given.

. . . .

"Let us now contrast with them the evidence

given by the directors of the same concern thirteen years afterwards.

"Mr. Horsley Palmer's evidence:—

"'Do you not hold that the discount of private paper is one of the worst means which the Bank, as a Bank of issue, can adopt for regulating its notes?—Yes, provided they are adequately supplied with other marketable securities.' (Q. 173.) Again: 'It is not deemed to be desirable to attempt to regulate the amount of issues of the Bank in London through commercial discounts; but there are occasions and circumstances when the functions of the Bank, as a Bank for commercial discounts in the capital, have been and ever must be of the first importance to the country.' And at the close of the same answer it is stated that, 'to be compelled to limit the quantity or description of bills to be tendered for discount, either of these measures would be equally detrimental to the commerce of the country.' (See question and answer 477, p. 36.)

"Mr. Ward is asked in what way he would shorten the amount of currency, in preparation for an expected turn in the exchanges against the country.

"'I have always endeavoured that the Bank should be possessed of a certain number of securi-

ties coming into it, so that a discretion should be exercised as to whether we should issue it again. The dead weight—the annuities—bring in a considerable excess annually, and I should withhold the reissuing of those moneys ; I should not make a forcible operation by disappointing any person of discount.' (Q. 2088, p. 145.)

"Mr. Norman :—

"'Are you of opinion, supposing a large quantity of commercial paper could be obtained for discount in London, it would be desirable for the Bank of England to regulate its issues upon commercial paper solely, or would it be preferable to regulate them by exchequer-bills ?—I certainly think that if the issues were to be regulated one way or the other, I should much prefer exchequer-bills. Under present circumstances I consider it quite impossible, without at times doing immense mercantile mischief, to regulate them by discounts. The usury laws alone are quite decisive on that point.' (Q. 2429, p. 170.) And subsequently, in the course of reply to another question, he observes, 'I consider the attempt to reduce discounts in general, by rejecting the bills of any particular persons, as a plan likely to fail, and to be productive of great public inconvenience ; and that it ought never to be

adopted, except in cases of the very last necessity.' (Q. 2437.)

" ' These are evidently the answers of intelligent persons, convinced by general reasoning, and confirmed in this conviction by the results of their experience, that the contraction of issues made upon discounts is, in times of commercial pressure, impracticable; that is, that the attempt to accomplish it would inevitably produce ' immense mercantile mischief,' equal almost to the evil which it was intended to avert.

" We thus find the Bank, in the first instance, calling for the repayment of her advances to the Government, that she may have her issues more completely under her own control, and looking to her advances upon discount as the means for acquiring this power. We next find her convinced that the control she seeks cannot be obtained through that means, and almost admitting that an increase, rather than a decrease, of her issues upon discount must be the consequence whenever commercial pressure occurs, and she is called upon to fulfil her obligation of supporting public and private credit." (Remarks, &c. pp. 48—50.)

Thus far I have taken a full, and, I hope, a fair review of Mr. Loyd's case against the

Bank, the evidence and reasoning upon which he rests it, and the corrective system he has so firmly enforced; I shall, therefore, pass over for the present other portions of his last pamphlet most pertinent to the matter of this volume, but not bearing directly upon the point immediately before me. To those who desire evidence of his impartiality, and are anxious to examine the grounds upon which the private joint-stock Banks have been charged with an injurious action upon the currency of late years, I particularly recommend his third chapter, of which I have not room to give an outline.

Here then let us pause, and consider what all this tends to. For what has Mr. Loyd written so often and so well? For what have many others like him for years past laboured so strenuously and so consistently? Why has the management of the Bank of England been so repeatedly and so severely criticized and corrected? The answer is, to fulfil one purpose, to enforce one action,—to regulate the issues by the foreign exchanges.

There is a peculiar pertinency and importance in this particular question and the answer to it, at the present juncture. To Mr. Loyd, more than to any other individual, is the memorable fact to be

ascribed, that for the last two years the Bank of England has made unprecedented exertions, under the most trying circumstances, has struggled harder than ever, to adhere to this rule, and given the nation the sharpest experience it has ever suffered of its severity. Had it not been for Mr. Loyd, this would not have happened; at least to the same extent. The Bank was constrained by the influence which his great wealth and success as a Banker have given him, set off as they are by the peculiar idiosyncrasy of character that distinguishes him,—strict independence, arising from his fortune, and the conviction he never fails to evince of the strength of his position, and the indifference to opposition and contention which the power and sincerity of that conviction impart to his language and actions. To these advantages must be added another, derived from the dread inspired by the proof he has given of superior ability as a writer,—the weight he possesses as a witness in Parliament, and the certainty that the inquiry, more or less searching and inconvenient, which has been pursued for several years past, must be persevered in until the Bank charter shall have been renewed in 1843. But for the combined force of these various circumstances, centering in and depending upon an individual

mainly, I very much doubt whether the Bank of England would have reduced its own rules so steadily to practice, and wormed the screw so tightly as it has done for the last two years, upon the manufacturing and commercial interests of the country.

But what have we gained? The knowledge of a painful and most perplexing truth,—that great as was the mischief inflicted when the Bank violated its own rules, the mischief is nearly to the full as intense and extensive when, having violated them, it strives to return to rectitude. It is further clear, I apprehend, and beyond the pale of dispute or discussion, that no security whatever exists at present against the recurrence of the heavy and desolating evils by which we have been so often borne and broken down; because their origin is not always the result of positive fault and mismanagement on the part of the directors, but, at intervals, a natural consequence of vicious constitution in the establishment they preside over. The double interests and duties of the Bank—as the proper institution for regulating the currency, and conducting a profitable Banking business—are incompatible. The two things may often consist, but times will occur when they cannot be preserved together. So long as this

constitution lasts, contradiction, modifications, palliations, apologies, and explanations will be tried and tolerated; because the country, like an invalid suffering under some deep and dangerous disease, will rather endure fits of periodical illness and pain, than run the risk of a violent operation, which may end in destruction.

Still, however, the question returns: Is Mr. Loyd right—do the foreign exchanges really furnish the only proper test for regulating the issues of the Bank? I believe they do, *as things are*; but I also believe that the operation of that rule is so slow and severe, that the remedy is nearly as bad as the disease. I am further inclined to contend, that we have of late years pushed our economy of the use of the precious metals too far; that we have narrowed the channel of their circulation too much; that we have neglected silver and attached an undue value to gold; and that the foreign exchanges, however positively they may govern the supply of the precious metals, are by no means faithful representatives of our whole manufacturing and commercial transactions, and are not therefore to be adopted with safety as the sole gauge and measure of our circulating medium.

In taking this view, we break new ground; and

that we may see as clearly as may be how we stand upon it, let us ascertain what the foreign exchanges are.

Foreign exchange consists in a merchant or other person "paying money in one country to receive it in another."

"The exchange is high when a man pays for bills of exchange above the par. It is low when he pays less than the par."

"The par is a certain number of pieces of the coin of one country, containing in them an equal quantity of silver to that in another number of pieces of the coin of another country; viz., supposing thirty-six schillings of Holland to have just as much silver in them as twenty English shillings, bills of exchange from England to Holland, at the rate of thirty-six schillings Dutch for each pound sterling, is according to the par. He that pays the money here and receives it there, neither gets nor loses by the exchange; but receives just the same quantity of silver in the one place that he parts with in the other. But if he pays one pound sterling to receive but thirty schillings in Holland, he pays one-sixth more than the par; and so pays one-sixth more silver for the exchange, let the sum be what it will."

Such is Locke's exposition of the theory and effect of the foreign exchanges. As the subject is both intricate and momentous, I may perhaps be allowed to add a word or two for the sake of further explanation.

The exchanges represent the difference between the value of national moneys at the principal emporiums of commerce trading one with another. They show, consequently, between any two places, that to which the balance of payments inclines; inasmuch as, whichever owes the most money, being bound to remit to the other, the exchanges must necessarily turn in favour of such place as the abode of the creditor or payee. If Hamburg owes London more money than London owes Hamburg, London will be the market at which money will be most required, and consequently it will be dearer there as the seat of demand. One London merchant dealing with Hamburg has money due to him in that city; another owes money there. He who has money due draws upon his correspondent and negotiates the bill upon the Royal Exchange.— The number and amount of such drafts measure the extent and value of the commercial relations between the two cities, and fix the exchange for or against Hamburg, according to the

drafts transmitted by the latter place on London.

"I purchase," said the late Mr. Rothschild in 1832,—he was the largest dealer in exchanges the commerce of England ever produced,—"I purchase regularly, week by week, from 80,000*l.* to 100,000*l.* worth of bills which are drawn for goods shipped from Liverpool, Manchester, Newcastle, and other places, and I send them to the Continent, to my houses. My houses purchase against them bills upon this country which are drawn for wine, wool, and other commodities. But if there be not a sufficient supply of bills abroad on this country, we are obliged to get gold from Paris, Hamburg, and elsewhere." In this way there was at the period referred to, according to Mr. Rothschild, a regular payment of gold to this country from the whole world; he found that the bills drawn abroad were not equal to those at home, and consequently maintained that the bills drawn upon the Royal Exchange must bring gold from all parts of the world. We are therefore justified in regarding gold as a body constantly floating upon the surface of the great tide of trade between the nations of the world. The people of each country drink a smaller portion of the current in proportion to the

quantity taken out by that with which they are more immediately in contact.

Such being the exchanges, let us apply to them the principle according to which, in Mr. Jones Loyd's judgment, the circulation should be regulated. It is succinctly expressed in the answer to question 2654 in the Report of the Commons' Committee on Banks of Issue, 1840,—"A metallic currency, I conceive, by virtue of its own intrinsic value, will regulate itself; but a paper currency, having no intrinsic value, requires to be subjected to some artificial regulation respecting its amount. The use of paper money is resorted to on account of its greater economy and convenience, but it is important that that paper currency should be made to conform to what a metallic currency would be, and especially that it be kept of the same value with the metallic currency, and therefore I conceive that that constitutes the only proper rule by which to regulate the fluctuations of a paper currency. Now the influx and efflux of gold is the only sure test of what would have been the variation of a metallic currency, and therefore I conceive that that constitutes the only proper rule by which to regulate the fluctuations of a paper currency." Before we subscribe implicitly

to this doctrine, and, above all, to its prescribed connexion with the foreign exchanges, we are bound to consider, with impartiality and deliberation, the difficulties standing in the way of its adoption, and the inconveniences to which, when it is adopted, we are sure to be reduced.

In the first place, it is admitted upon all sides, that certain contingencies will divert and nullify the virtues ascribed to the rule. Of these the principal are, 1st, an imperative demand for gold abroad, as when Russia last invaded Turkey, and required specie to support her army; a million in specie was then taken from the Bank; or as, when in 1836, the United States of America having determined to abolish the circulation of small notes, drew nearly three millions, which were recoined into her current money: 2dly, foreign loans, which are contracted for more or less frequently, according to the exigency of events, over which, whether we are at peace or war with the power that borrows, we have no control: 3dly, political agitation, as that upon the reform question in 1832, when Lord Grey's resignation caused two millions of sovereigns to be taken from the Bank: 4thly, bad harvests, which compel us to pay cash for imported corn, because the laws in force for the protection of agriculture

have deprived us of such commercial intercourse with all the great corn-growing countries, as would induce them to take manufactures in exchange for grain.

These are causes with which every writer and reader upon the currency is familiarly acquainted. Of the effects of one and all of them, I need not observe here, that we have had severe experience of late years. I hold it to be most important to bear this fact in mind; because, knowing, as we do from experience, how frequently one or other of them occurs, we are bound to take such recurrence into consideration in our calculations of the future, and set off the difficulties thus introduced as so many natural drawbacks upon the advantages we should otherwise be in a condition to enjoy in security.

There are two other objections to the rule in question as the *sole* mode of regulating the currency, to which a prominent place is due. The first lies in the fact, that the foreign exchanges represent not the *whole* but a *part* only of the commercial transactions of the country. If from the value of all our exports, the portion destined for the colonies be deducted, there will be found, I apprehend, a residue, however considerable in itself,

yet so small when compared with the amount from which it has been taken, as to render extremely problematical the operation of any rule which shall take the course and effect of the business described, by the sum of that residue, as a representative of the total commerce of the country. Our colonial trade is not included in the foreign exchanges. India, Canada, the West Indies, and Australia, pay for what they take from us by bills and remittances which are never seen upon the latter mart. The colonial and Australian joint-stock Banks, mediums of monetary agency which date their existence only a few years back, indicate the channels through which that rich stream of traffic flows, and inform us from time to time of the profit it yields, These institutions were unknown and undreamed of when Mr. Thornton first told the Bank directors that the foreign exchanges were the true guides by which they were bound to regulate their issues. No Prussian league for the promotion of continental, and the exclusion of British manufactures, had as yet been called into life; we had then the carrying trade of the world, and business at almost every port; we have now nothing but complaints amongst our merchants, of which the mournful and unvarying burden is, that the Continent is gradu-

ally shutting her markets against our goods, and that our transactions are daily diminishing with them in value. And yet this is the partial condition of things by which we are seeking to regulate our currency—taking results produced by one division of an extended and broadly separated whole, as the measure and guide of a rule of action which shall govern every relation and dependency of that whole. And governed unquestionably the whole is by it, but severely and unfairly, because the data or criteria furnished for the formation of the rule proceed not from the whole, but only a part of it[1].

[1] Politicians tell us, that two and two do not always make four in matters of finance. Something of the same sort of discrepancy is observable between certain doctrines propounded in Banking, and the effects produced when they come to be enforced. The foreign exchanges is one case in point; another is the control which it is said the Bank of England always possesses over the currency. Mr. Jones Loyd, following Mr. Norman, affords some striking illustrations of this doctrine. It appears that the Bank of England circulation was,

	£.	
In September, 1835,	17,320,000	
In June, 1836 . .	17,184,000	
Decrease	———	136,000

The country Bank circulation was,

In September, 1835,	10,420,000	
In June, 1836 . .	12,202,000	
Increase	———	1,782,000

Mr. Loyd gives no less than seven more tabular statements, all exhibiting a similar action, and then observes, "These facts are

The second objection is, that even supposing the rule unexceptionably right in principle, a quality of which, under the present relations of the case, I deny it the possession, the Bank has not the power to observe it in practice. The truth of this assertion is not to be denied. The Bank may and often does seek to contract its circulation by selling stock or exchequer bills, and receiving her own notes for them; but whenever she does this, and suddenly tightens the money-market, she is powerless with regard to her own depositors, who rush in, and claiming their balances, disperse them at a profit over the money market, and thus defeat the intended action of the directors.

"How is it possible," asks Mr. Jones Loyd, and the question is too cogent to be resisted; "How is it possible that the proper relation between the paper issues and the bullion can be steadily maintained whilst the Bank is liable to be compelled to issue upon her deposit accounts, upon the discount of commercial bills, and for the supply of the public wants of Government? The consequence of uniting

irreconcileable with the doctrine which maintains that the Bank of England has uncontrolled dominion over the circulation of the country; and unless it can be disproved, it is unreasonable to attribute the derangement of the currency wholly to her." (Remarks, &c. pp. 71—76.)

these, which are strictly Banking considerations, with a power of regulating the amount of the currency, which is a duty of a very different character, must be embarrassment to the party in whom these conflicting functions are united, and ultimately an abuse of the power which is entrusted to her. The public, looking to her as a great Banking company, and estimating the duties incumbent upon her by reference to her character in that respect, hold her responsible for relieving commercial distress, and upholding public credit. She finds that it is extremely difficult as well as unpopular to refuse the demands that are made upon her; and, therefore, easily convinces herself that it is impossible. She yields to the force of these demands, and, not distinguishing between an advance of capital to merchants, and an additional supply of currency to the general mass of circulating medium, she applies to the satisfaction of them, not her Banking resources only, but also her power over the currency."

Such, then, and so numerous, being the obstacles, some independent of the Bank, and some, as I have just shown, growing out of her very nature and constitution, which have hitherto prevented, and always will to a certain extent prevent, a uniform enforcement of the rule for regulating the currency by the

foreign exchanges, I have now to offer, as the last illustration of the subject, a brief allusion to the state of the country, as regards mercantile and money matters, during the year 1841, being the second of those to which its stringent action has been applied.

A contracted currency affords the most conclusive proof that can be given of national distress: the smaller the amount of money in circulation, the less of it there is in the pockets of the people. The time is not too remote to be well remembered, when the issues of the Bank of England, distinct from those of the English country Banks, exceeded *thirty* millions. That my readers may judge accurately of the extent of our present poverty, I insert the total amounts of the circulation of all the Banks of issue in England, Wales, Scotland, and Ireland, published in the Gazette, pursuant to the Act 4 and 5 Vict. c. 50.

July 24, 1841.	£.	Totals. £.
England :—Bank of England	17,976,000	
Private Banks	5,907,682	
Joint-stock ditto	3,418,810	
Scotland :—Chartered, private, and joint-stock ditto	3,181,594	
Ireland :—Bank of Ireland	3,055,025	
Private and joint-stock Banks	1,905,672	
		35,444,783

		£.	TOTALS. £.
August 21, 1841.			
England :—	Bank of England	17,928,000	
	Private Banks	5,844,300	
	Joint-stock ditto	3,215,253	
Scotland :—	Chartered, private, and joint-stock ditto	3,074,393	
Ireland :—	Bank of Ireland	2,950,875	
	Private and joint-stock Banks	1,868,361	
			34,881,182
September 18, 1841.			
England :—	Bank of England	17,069,000	
	Private Banks	5,768,136	
	Joint-stock ditto	3,311,941	
Scotland :—	Chartered, private, and joint-stock ditto	3,092,549	
Ireland :—	Bank of Ireland	2,877,925	
	Private and joint-stock Banks	1,929,906	
			34,049,457
October 16, 1841.			
England :—	Bank of England	17,340,000	
	Private Banks	6,253,964	
	Joint-stock ditto	3,519,384	
Scotland :—	Chartered, private, and joint-stock ditto	3,203,703	
Ireland :—	Bank of Ireland	3,060,750	
	Private and joint-stock Banks	2,189,398	
			35,563,199
November 13, 1841.			
England :—	Bank of England	17,065,000	
	Private Banks	6,288,723	
	Joint-stock ditto	3,421,135	
Scotland :—	Chartered, private, and joint-stock ditto	3,383,036	
Ireland :—	Bank of Ireland	3,333,375	
	Private and joint-stock Banks	2,611,314	
			36,102,583

December 11, 1841.

		£.	TOTALS. £.
England :—	Bank of England	16,292,000	
	Private Banks	5,718,211	
	Joint-stock ditto	3,217,812	
Scotland :—	Chartered, private, and joint-stock ditto	3,448,660	
Ireland :—	Bank of Ireland	3,303,275	
	Private and joint-stock Banks	2,581,713	
			34,561,671

January 8, 1842.

		£.	TOTALS. £.
England :—	Bank of England	16,293,000	
	Private Banks	5,478,189	
	Joint-stock ditto	3,042,197	
Scotland :—	Chartered, private, and joint-stock ditto	3,070,075	
Ireland :—	Bank of Ireland	3,205,875	
	Private and joint-stock Banks	2,515,677	
			33,605,013

February 5, 1842.

		£.	TOTALS. £.
England :—	Bank of England	17,402,000	
	Private Banks	5,532,524	
	Joint-stock ditto	3,068,901	
Scotland :—	Chartered, private, and joint-stock ditto	2,922,882	
Ireland :—	Bank of Ireland	3,279,075	
	Private and joint-stock Banks	2,534,039	
			34,739,421

March 5, 1842.

		£.	TOTALS. £.
England :—	Bank of England	16,894,000	
	Private Banks	5,299,455	
	Joint-stock ditto	2,990,986	
Scotland :—	Chartered, private, and joint-stock ditto	2,811,109	
Ireland :—	Bank of Ireland	3,188,750	
	Private and joint-stock Banks	2,407,625	
			33,591,925

No peroration can be more appropriate upon a theme like this, than the emphatic description given by Mr. Jones Loyd himself of the condition to which the country must come when the rule is put in force. These are his words in 1840: "Against the actual exhaustion of its treasure by a drain through the foreign exchanges, the Bank almost under any circumstances has the power of protecting herself; but to do this she must produce upon the money-market a pressure ruinous from its suddenness and severity; she must save herself by the destruction of all around her." Precisely what is now being done: the Bank *is* saving herself and ruining all around her.

From the testimony of one eminent Banker I proceed to that of another. At the half-yearly meeting of the London and Birmingham Railway Company, held the 11th of last February, Mr. G. Carr Glyn, the chairman, began his speech to the proprietors with this emphatic sentence: —"Allow me to congratulate you on a considerable increase in the amount of your receipts, in despite of what—speaking as I am in the presence of mercantile men—I will not hesitate to describe as one of the most disastrous years which has been known in our commercial experience."

There could not, I am sure, be a better authority

upon such a subject than the most active partner of the firm of Messrs. Glyn & Co. I shall have occasion in the following chapter to particularize the losses which the Banking interest suffered itself, and inflicted upon the community, during this severe period. Let me here beg attention to a detail or two as to the injurious effects produced upon other descriptions of property. And first, as I have adverted to a railway, I will state the extent of the depreciation in railway property.

I find, by the *Railway Magazine*, that many new lines, or new portions of lines, have been opened in 1841; but that, "notwithstanding the greater length of opening, the vast extension of traffic, the greater number and proportion of dividends, such has been the state of the money market, that the shares, even of the best and most stable companies, taking the prices of the 18th of December in each year, have generally receded. The number of those which have increased in price has been twelve; remained at the same price, ten; decreased, twenty-eight. The sacrifice in the value of railway shares stands thus:—

"Increase on	£7,500,000 . .	£730,000
"Decrease on	23,000,000 . . .	2,400,000
"Net decrease		£1,670,000

"The net decrease in the value of railway shares this year (1841), on account of the depressed state of the money market, is above a million and a half sterling, although the traffic of the railways has increased by that amount during the present year. The bulk of railway shares have decreased ten per cent."

I take from the *Times* newspaper a case in the cotton trade.

"A gentleman at Liverpool was left by his father, four years since, the handsome fortune of 100,000*l*. He employs it, as his parent had done, in the wholesale cotton trade. He is naturally a large dealer, and holds a large stock. The late contraction in the currency works a rapid fall in cotton. He holds forty thousand bags; and before he can sell, a reduction of three pounds per bag takes place! He is stripped at once of his whole property, almost without a fault on his part. This is only one instance out of many. The depressions of 1819 and 1826, each arising from the same cause—a rapid contraction of the currency—produced thousands of such instances of cruel and lamentable spoliation."

There would be no end to the catalogue were I to proceed and enumerate other sufferings of this kind, upon which I can lay my hand in abundance.

But I am bound to refrain. Some painful examples I shall still have to add as I proceed with my sketch of the progress of Banking, particularly amongst the private and joint-stock establishments; to which, inviting the patience of my readers, I shall now address myself without further digression or delay.

CHAPTER VII.

Recent progress of joint-stock and private Banks—The former encouraged by Government in consequence of numerous failures amongst the latter—The Government measure, 7 Geo. IV. c. 46—Dissatisfaction of the Bank of England, and reclamations of the country Bankers—Bank of England establishes branches—Number, capital, circulation, and dividends of joint-stock Banks in 1836—Subsequent failures and mismanagement—Esdailes, Foster, & Co., the Manchester and Liverpool district Bank—Comparative results of the two systems—Panic and numerous failures in 1840 and 1841—The Walsall, St. Marylebone, Commercial, and Imperial Joint-stock Banks—Hammersley's, Wright's, Wakefield's, Kirkpatrick's—Summary of losses—Suggested improvements—Bank of Manchester—The London joint-stock Banks—General considerations—Latest official returns.

The progress of Banking brings me to a new epoch. I have now to sketch the introduction of joint-stock Banks in 1826, in consequence of numerous failures amongst the private Bankers, and a settled belief in the public mind that there could be little or no security for the due preservation of trade and property in future, unless some better machinery was devised for regulating and sustaining the secondary

branches and tributary channels of the currency, than that which had been found to produce general derangement and the deepest sufferings. In the correctness of this opinion the Government fully agreed. Accordingly, proper steps were taken in the Cabinet and in Parliament to legalize the associated Banking bodies it was proposed to establish, for the purpose of extending that aid and support to the circulating medium at the various locks and feeders, from which the national industry draws its necessary supply of the artificial stream. These it was considered no longer prudent or safe to leave exclusively to the care and judgment of individuals, who had in so many instances proved too weak and inefficient to discharge the responsible functions imposed by a charge so onerous and important.

The events by which this change was brought about, were of a description every way calculated to produce a strong impression. When Napoleon was driven into exile, and peace after many years of expensive warfare was restored to Europe, the factitious and degraded nature of our English monetary system was put directly and undisguisedly to the test. Its defects subjected every class in the community, without exception, to the most serious inconvenience and considerable losses. Our com-

mercial intercourse was no sooner renewed with the continent, than we found that the one-pound note, which we had been for some time vainly flattering ourselves upon the strength of a resolution, passed by a divided House of Commons, was worth twenty shillings, would pass current with other nations for no more than fifteen shillings. A general process of equalization therefore set in, and proceeded by stern degrees to correct and adjust the relations of our monetary and commercial affairs upon more exact principles. The Bank of England made a bold effort to stem the torrent that was to sweep away a large portion of the support and substance of the people as a thing of no reality, by keeping up its circulation for some time as profuse as ever;—but the necessity of the case was imperative—our currency had been brought into competition with those of foreign countries, and we could no longer avoid paying the price of the depreciation, which became apparent upon a fair comparison between its nomina and intrinsic value. Wheat, which in 1813 was 6*l.* a quarter, fell in 1814 to 4*l.* 5*s.* a quarter; other commodities suffered a corresponding depression of prices, and between the years 1814 and 1816, no fewer than 246 Banks were swept, like so many

straws, from the face of the country[1]. As that consummation approached the period of its fulfilment, for which the more intellectual and independent portion of the community had been labouring with zeal and talent for several years, the number of private Bankers continued to decrease, and many Bankruptcies amongst their proprietors, particularly in 1819, in 1821, and during the panic of 1825-6, when no less than eighty commissions issued against them; still further disclosed the fragile and imperfect sources those persons relied on who entrusted their property to such safe keeping.

Thus the joint-stock Banks did not rise until the losses inflicted by private Bankers had repeatedly shaken the confidence of the public and the government in their solvency. This circumstance should not be overlooked by those who may feel disposed to indulge in speculations, as to the probability of the joint-stock system becoming universal, and putting its rivals altogether out of the field.

[1] Nine hundred and forty licences were issued to country Bankers in 1814; and at the end of 1816, the stamp office was called upon to supply only 752 licenses. In 1825 the number was still further reduced to 552.

The measures proposed by Lord Liverpool's government in 1826, were at first much resisted, but ultimately acceded to, and carried into full effect. The plan went, 1st, to abolish gradually all country Bank notes under *5l.*; 2ndly, to get the Bank of England to set up branch Banks of its own in the principal provincial towns; and, 3rdly, to part with so much of the monopoly created by its charter, as prevented the establishment of Banks with more partners than six, beyond a certain distance from the metropolis.

I need not describe how little these changes were relished when first mooted; nor detail how slowly and reluctantly the law by which they were soon made permanent, was adopted in various quarters. We have now to concern ourselves with the result alone, which gave us during the same year the act 7 Geo. IV. c. 46, entitled, "an act for the better regulating co-partnerships of certain Bankers in England." By the provisions of this measure, a Bank established at a greater distance than sixty-five miles from London, may have any number of partners; and all such partners are made liable for the whole of the debts of the company. All Banks thus founded may sue and be sued in the name of one of their public officers;

and whenever judgment is obtained against such officer, execution may be issued against any member of the copartnership; every one of whom, before the Bank issues notes, must be registered at the stamp office, in a form prescribed by the Act. A public knowledge is thus insured of the names and residences of the shareholders; the places at which the Bank and its branches are established, and the proper officers to be sued.

Such are the principal conditions of the joint-stock Banking law, which has now been sixteen years in force without undergoing material change. As I proceed I shall have to enter upon an examination of the operations carried on under its authority, and to consider in detail the faults and merits ascribed to the wide spread system it has given rise to. That being the case, I shall do no more here than express upon a general view of the subject, the opinion I have long deliberately entertained; which is, that so long as these Banks are made to rest upon the broad and plain foundation originally prepared for their superstructure, the public cannot but enjoy greater security in them, than in any other monetary establishments hitherto devised or undertaken for its accommodation.

M 3

It is not a little singular that the Bank of England manifested extreme discontent when called upon to spread branches of its own throughout the country. The directors yielded to the importunity of Lord Liverpool's government, in this respect, not without strong and repeated remonstrances against what they did not hesitate to pronounce the impolicy and disadvantages of the innovation. They now, however, appear to be much attached to their branch Banks. Altogether ministers were not very fortunate in gaining friends for their measure. They had no sooner appeased the anger of one complaining body, than they were assailed by fresh reclamations and remonstrances from others. As the Bank of England availed itself by degrees of the encouragement given to extend itself over the provinces, the country Bankers, as was but natural, took alarm at this invasion of their respective circles, and cried out with a loud voice against the formidable competition [2] set up against them. They met, took counsel

[2] The part in which the shoe pinched most severely was this. The rate of discount with country Bankers used to be five per cent., and a commission of five or six shillings. The Bank of England, a better security, did the same business at four per cent. without a commission. Down to these terms, accordingly, the private Bankers were obliged to come, or look on idly while the people went to the cheaper market.

together, and remonstrated with the Government and the Parliament. I take by way of statement of their case, the resolutions passed by them in December 1827, and submitted to the Premier, Lord Goderich, (now Earl Ripon) and Mr. Herries, then chancellor of the exchequer, on their behalf by Sir John, now Lord Wrottesley, their chairman. Resolved,

"That the late measures of the Bank of England in the establishment of branch Banks, have the evident tendency to subvert the general Banking system, that has long existed throughout the country, and which has grown up with and been adapted to the wants and conveniences of the public.

"That it can be distinctly proved that the prosperity of trade, the support of agriculture, the increase of general improvement, and the productiveness of the national revenue; are intimately connected with the existing system of Banking.

"That the country Bankers would not complain of rival establishments, founded upon equal terms; but they do complain of being required to compete with a great company, possessing a monopoly and exclusive privileges.

"That if this great corporation, conducted by

directors who are not personally responsible, succeed by means of these exclusive advantages in their apparent object of supplanting the existing Banking establishments, they will thereby be rendered masters of the circulation of the country; which they will be enabled to contract or expand according to their own will; and thus be armed with a tremendous power and influence, dangerous to the stability of property, and the independence of the country."

The private Bankers continued to agitate and remonstrate, but effected no essential change in their position, by these proceedings. In point of fact their day had passed. The Bank of England gradually increased the number of its branches, and the only relief obtained by its opponents was the act 9 Geo. IV. c. 23, which enabled them to compound for their stamp duties, upon the terms enjoyed by the Bank of England; and to include in their composition bills drawn on London at twenty-one days date [3].

[3] The case made out in this particular was a strong one. It was shown that the stamp duty on a bill drawn at twenty-one days on London, was to the private Banker 3*s.* 6*d.* and to the Bank of England only 5*d.*; and that a circulation throughout the year of 10,000*l.* in bills of exchange of 20*l.* each, subjected the Bank of England to a payment in lieu of stamp duty of only 35*l.* and the country Banker to a payment of 650*l.*

Meantime the progress of joint-stock Banking, without being surprisingly rapid, was extensive and considerable. It appears from an analysis, made by Mr. Gilbart, managing director of the London and Westminster Bank, of the list of joint-stock Banks, returned to the Commons' committee of 1836, that their number had increased up to that period at the following rate.

Years.	Joint-stock Banks registered.
1826	3
1827	4
1828	0
1829	7
1830	1
1831	8
1832	7
1833	10
1834	10
1835	9
1836	30
	89

The total number of partners in these eighty-nine companies was 24,938, distributed thus :—

13	companies had fewer than		100 partners.		
23	„	above	100,	but not	200
23	„	„	200	„	300
9	„	„	300	„	400
10	„	„	400	„	500
9	„	„	500	„	1000
2	„	„	1000		

The same Committee ascertained that the paid-up capital of these companies was then 6,295,678*l.*; the aggregate amount of their circulation for the quarter ending June, 1836, 3,588,064*l.*; and their average dividends, 7*l.* 18*s.* Mr. Gilbart has since computed the paid-up capital of the joint-stock Banks in 1836 as high as ten millions sterling [4]. Parliamentary returns had already shown that, in the quarter ending January, 1833, there were only forty such establishments in existence, and that their circulation in that year was only 1,315,301*l.* At this period, therefore, the general statistics of the subject were sufficiently ample and authoritative.

So marked an extension of the new system was sure to challenge remarks and censure. I am far

[4] Commons' Report, 1841, question 1368.

from regarding the efforts made at the time to direct the public eye to the circumstance, as unwise or improper. Some joint-stock Banks soon justified the pains that were then taken to prejudice the community against the general body. I feel, however, that although the large addition made to the number of joint-stock Banks in 1836 (thirty to fifty-eight), and the great increase in the total circulation of the whole body (amounting, in the short space of two years and a half, to 2,272,763*l*., which was at the rate of nearly cent. per cent. per annum), deserved serious attention; yet that there were facts to account, in some measure, for the rise, or, rather, to show that it was not really so great as it appeared to be, which were not immediately taken notice of.

The truth is, that many of these establishments, though new as joint-stock companies, were not new as Banks; several of them had been founded upon private Banks, which took advantage of the times, and preferred to engraft themselves upon the new system rather than enter into competition with it. If I may hazard a guess from memory, I should say that, of the eighty-nine joint-stock Banks in 1836, from twenty to thirty were newly-modified private Banks.

Making all due deductions, however, it is not to be denied that the spread of joint-stock Banks in 1836, and the liberal dividends some of them distributed to their shareholders,—dividends as high as ten or fifteen per cent.,—afforded matter for serious reflection to the wise and wary, and must have suggested no ill-grounded fears, that a state of things which had shot up into such quick maturity was precocious, and neither perfectly sound at heart, nor destined to a lengthened career of health or prosperity.

Their mettle was soon tried. I recollect the strong saying of an old city quidnunc in the autumn of 1836,—"Nothing now can save the Bank of England, but lots of failures and a whopping fall of prices." Both came quickly and sharply, and the principal failures began amongst the Banks. The first who broke in 1836 was Evans of Manchester, a discount and deposit Banker, whose business for such a place was not extensive. The Agricultural and Commercial Bank of Ireland stopped next, with forty-six branches, and admitted liabilities exceeding a million sterling. This happened in October; and in December the Northern and Central Bank of Manchester followed, with forty

branches, and an extent of liabilities not positively disclosed at the time, but certainly above a million and a half.

In January, 1837, two private Banks closed at Carlisle, one of which, that of Foster and Co., owed four hundred thousand pounds. Esdaile's in London stopped in the same month, for a very large amount. They were immediately followed by W. Medley and Sons, at Aylesbury. In the middle of the year the Leamington joint-stock Bank, one of three in that small place, failed; and about the same time the Norfolk Banking Company, and the Bank of Birmingham, merged into other co-partnerships. The debts of the first of those last-named were about 170,000*l*., and the losses of the two others amounted to about 100,000*l*. each. All three afterwards paid their liabilities in full.

The year 1838 passed without any Bank failures; but towards the end of the year the joint-stock Banks lost character in another way. It had been surmised for some time, that several of these companies had acted indiscreetly, giving accommodation in various quarters upon bills which did not represent bonâ fide transactions, and making advances of money upon stock and buildings,—a description of security which a Banker can seldom touch with

safety. The Bank of Manchester was understood to have been severely hit in this way as early as 1836; and the North of England Banking Company was known to have got into serious difficulties by similar imprudence, about the same time. But the strongest instance of that kind of excess was disclosed by the Manchester and Liverpool District Bank, late in 1838. This had been one of the most flourishing of the joint-stock companies; fifteen pounds had been called upon its shares, making above a million of ready money,—the largest paid-up capital of any joint-stock Bank in the country except the Bank of England. Amongst its shareholders were many of the most stable and opulent merchants and manufacturers of its locality. Its deposit-fund exceeded two millions sterling; it issued no notes but those of the Bank of England, for which it paid by agreement an interest of three per cent. per annum. At one period its shares bore a premium of 22*l.* 10*s.*; towards the end of 1838 they were at par. This depreciation was entirely the result of bad Banking. It seems an odd remark to make, and yet it is a perfectly correct one, that the directors had too much money: they found it difficult to put out their three millions in the ordinary channels of investment, at a rate of profit which would enable

them to realize the handsome dividends their proprietors looked for, and were thus tempted to transgress the bounds of legitimate Banking. They advanced one customer[5] 250,000*l.* upon a security which they no sooner attempted to take, than the debtor turned round and pleaded his co-partnership as a bar to its recovery. To another manufacturer they lent 120,000*l.*; to a third, 50,000*l.*; and to others different smaller sums, which locked them up, damaged the reputation of the managers as good men of business, and entailed considerable losses.

The interval I have just passed over, together with the amount of the failures, and the extent of mismanagement occurring during it, has been repeatedly dwelt upon by those who are unfavourable to the joint-stock system of Banking. It took, no doubt, from the new establishments, and very deservedly, many an attraction, and much of the popularity previously borne by them; but putting all the facts together, and founding our judgment of them

[5] At the general meeting in January, 1839, the directors were obliged to propose to write off, as a positive loss, the sum of 375,000*l.*, in consequence of the insolvency of two firms—Messrs. Taylor, Son, and Gibson, woollen manufacturers, and Messrs. Brown and Powell, calico printers.

upon the result, it is, I think, clearly demonstrable that, upon the whole, the country had gained an improved condition of Banking.

The case on both sides stands thus: there were certain failures upon the part of private Banks and joint-stock Banks, and a certain description of losses upon the part of the latter; these losses, however, fell not upon the public, but, in each instance, upon the respective proprietors. So far the community suffered nothing. Then, as to the failures, they proved at this particular juncture more numerous amongst the joint-stock than amongst the private Banks; but of those already mentioned, the Leamington Bank, the Norfolk Banking Company, the Bank of Birmingham, the Agricultural and Commercial Bank, and the Northern and Central Bank, one and all paid their notes and creditors in full, within a short interval. When the Northern and Central Bank obtained 1,300,000*l.* from the Bank of England, not one person out of ten in the money-market believed the advance would be repaid, and yet the whole was repaid in a year after. Before that was done the Agricultural Bank had met its note issues, discharged other heavy incumbrances, and had started afresh. I have already stated that

the other suspended joint-stock Banks honoured all their engagements: these were novel circumstances in the history of Bank failures.

The affairs of the private Banks were not adjusted with equal dispatch or satisfaction. At the time of Esdaile's stoppage, 150,000*l.* was raised by the City Bankers, and placed with the Bank of England, as a security for some advances made by the directors to relieve that firm in its difficulties. That money lies in the Bank to this day. Of the dividends declared by the other bankrupts, the best was that realized on the Messrs. Fosters' estate, which has paid, I believe, something more than twelve shillings in the pound.

The years 1837, 1838, and 1839 were barren of incidents connected with the subject before us. To seven new joint-stock Banks formed in 1837, only one was added in 1838. The most interesting fact, however, connected with the progress of these institutions, is the number of private Banks that had by this time merged into joint-stock establishments. They were computed to have been not fewer than 130 in 1839, during which year the old and respectable house of Sir M. W. Ridley, Biggs, and Co., of Newcastle, also resolved itself into a joint-stock company. Others have since followed their

example, but it is unnecessary to particularize them.

Another dark and heavy period was now approaching, throughout which there was no such dearth of incident as that I have just adverted to. In turning to give a slight and imperfect account of it, I feel one consolation,—it is my closing office of this nature, and covers the last scene of pressure and calamity I shall have to describe. Late in 1840 began the storm which, continuing to rage all through 1841, and not even as yet quite blown over, has swept away during its protracted and ruinous course, an unusual number of Banking establishments. A history of these misfortunes in their various details is here out of the question ; to trace the separate cases to their source, and detail at length the consequences they involved, would fill a volume, and then, in all probability, leave the subject unexhausted. I can do no more than give a list of the names and places as they have occurred, to which I shall add a few words upon some cases which seem to challenge observation more than the rest.

Arundel—Hopkins, Drewett, and Co.

Atherstone—Weaver, Walsh, and Co.

Bath—Hobhouse and Co.

Berwick-on-Tweed—Batson, Wilson, and Co.
Brighton—Wigney and Co.
Cambridge—T. D. Barker.
Canterbury—Halford and Co.
Chichester—Ridge and Co.
Guildford—Lee and Co.
— Sparkes and Son.
Holywell—Douglas, Small, and Co.
London [6]—Hammersleys and Co.
— Johnson and Co.
— Marylebone Bank.
— Wakefield and Son.
— E. Weedon.
— Whitmore, Wells, and Co.
— Wright and Co.
— Young and Sons.
Manchester—Daintree, Ryle, and Co.
— Barker and Malcomson.
— Commercial Bank of England.
— Imperial Bank of England.
Newcastle—Emlyn W. Marsden.
Newton—Wise and Co.

[6] The number of London Bankers has been further diminished by the retirement of Messrs. Ladbroke, Kingscote, and Co. from business, and the incorporation of Messrs. Dorriens, Magens, and Co. with the Messrs. Currie.

Portsmouth—Busbey and Co.
Penrith—R. Drewry.
Penryn—Atkinson, Craig, and Co.
Petersfield—Hector, Lacy, and Co.
Ramsgate—Austen and Sons.
Ryde—Kirkpatrick and Co.
Shrewsbury—Price and Co.
Teignmouth—Langmead and Co.
Walsall—Barber and Co.
— Walsall Joint-stock Bank.
York—Campion and Co.

This, it must be confessed is a formidable list; I look upon it with pain, and advert to it with reluctance. There is, no doubt, much about it to excite feelings of honourable commiseration, because, unquestionably, there lies under it much innocent misfortune and unmerited suffering; but there are main outlines so strongly marked; some of the circumstances disclosed are, in many instances, so startling; the general case often appears to be so fully made out, while the minor details are unsusceptible of formal proof without uncommon labour and difficulty; suggestions and suspicions force themselves so repeatedly on the mind, not merely of confidence abused and money lost, but of the most sacred trusts violated, and pledged securities

misapplied to an enormous amount[7]; the sales of private effects show partners living in a style of the

[7] COURT OF REVIEW.—JULY 27, 1841.

EX PARTE VINCENT EYRE, IN RE BIDDULPH, WRIGHT, AND CO., RESPONDENTS.—JUDGMENT.—Sir J. Cross: The petitioner, Mr. Eyre, had various dealings with Messrs. Wright and Co., and also with Mr. John Wright alone; and it appears that a deed-box was kept at the Bank for the deposit of securities belonging to him, and containing, at the date of the commencement of these transactions, Cuba bonds for upwards of 50,000*l.*, bearing interest at the rate of six per cent. per annum. In September, 1838, Mr. Wright wrote to Mr. Eyre asking the loan of 25,000*l.* Cuba bonds, on the deposit of 400 certificates of shares in the Southampton railway, until the bonds should be replaced, which was promised to be done within four months. This was assented to, and subsequently 429 Southampton railway shares were deposited, on arrangement for replacement before April, 1840. Afterwards, Mr. John Wright, in contravention of the agreement, and without the cognizance of the petitioner, withdrew the railway shares from the place of deposit, and left others of less value. The first question was, whether there was a provable debt on this loan of Cuba bonds? Subsequently to the original hearing of this case, he (Sir J. Cross) had requested the attention of counsel to the case of "Utterson and Vernon" (3 Term Reports, 548), and had asked that the case should be re-argued with especial reference to that particular case. The Court of King's Bench therein decided in favour of the debt; but the question was re-considered on the wish of the Lord Chancellor, and ultimately the Court of King's Bench held that there was not a provable debt, on the ground of there having been a breach of contract before the bankruptcy. In King's case (8 Vesey) a similar case was decided by Lord Eldon, which was followed in "Ex-parte Cannon" (16 Vesey). The question, therefore, was, whether in this transaction there was a breach of trust before the date of the bankruptcy. There was the loan of Cuba bonds replaced by railway shares, but the borrower withdrew the latter, and was bound

most costly and luxurious indulgence, while their accounts have been over-drawn for years, and many

then to have replaced the bonds. He had not done so, but had violated his agreement, and Mr. Eyre was entitled to come in as a creditor against the separate estate on the value of the bonds at the date when the contract was broken, and the securities withdrawn. As to the securities deposited instead of those removed, Mr. Eyre would be entitled to have them sold in the usual way; but he would not be entitled to any interest on the bonds after the date of the breach of contract. It had been contended that the whole partnership was liable on account of the breach of trust by Mr. John Wright; but he was of opinion that the transaction stood between Mr. Eyre and Mr. Wright alone; that the partners knew nothing of it, received no benefit thereby, and were not liable for any loss thereon. The second case related to the subsequent loan of the residue of the Cuba bonds, amounting to 28,000*l.*; and between the two cases there existed a substantial and essential difference. The terms were to be found in a letter written by John Wright to the petitioner, by which it appeared that the bonds were borrowed on account of the house, on deposit of 33,000*l.* Norris-town and Valley (United States) railway bonds, with an undertaking to replace the Cuba bonds, if required, at the expiration of three months. If it had been so required, the petitioner would have been entitled to prove his debt; but as it never was demanded, the proof was inadmissible in that respect, for it could not be constituted a provable debt. But there was another claim. It was agreed that interest at the rate of six per cent. should be payable so long as the bonds were retained by the borrowers, and credit appears to have been actually given for the interest in the banking account. These arrears constituted a provable debt to the amount of above 400*l.* The only other question which remained was relative to the sale of the shares deposited in reference to this second loan. As the petitioner had not established a provable debt, he (Sir J. Cross) could not order a sale of the securities deposited; but he saw no reason why the petitioner should not retain them for his own

of their customers have been brought to beggary by the profligacy with which their substance has thus been squandered;—such things, and others equally criminal and culpable, present themselves so often and in such aggravated forms, that a glance at their magnitude suffices to show, that the task of properly exposing and correcting them, cannot rest with an individual; higher powers and a more searching authority are demanded for a labour so vast in proportion to the sum of the national wealth with which it deals.

How strange, then, and provoking to think, that during the years these bankruptcies were taking place, Committees upon Banking were sitting in the House of Commons, mooting all sorts of opinions, but taking no notice of facts. There were the Banks breaking almost daily before their eyes, and yet not a single inquiry was instituted, nor an allusion made, to the causes, attendant circumstances, or consequences of a long series of misfortunes so deplorable, and I fear so irremediable. One would have thought that the amount of the

benefit, and he therefore might possibly, after all, not be damnified. Each party must pay their own costs; the assignees taking theirs out of the estate, and the petitioner his out of his own fund.

mischief done might at least have been ascertained; but it was not even asked for. Accordingly, we neither learn from the Banking Committees of 1840 or 1841, the number of Banks that failed during those years, nor the amount of their debts, nor the dividends, if any, by them paid. I am not, therefore, either surprised or sorry that Sir R. Peel will have no more of them; for any practical purpose, they have proved greater farces than county meetings appeared to the Duke of Wellington some time ago.

The list, it will be observed, does not contain more than four joint-stock Banks. I shall give their cases briefly, as they will not take up much room.

The Bank of Walsall commenced business Aug. 1, 1835. It had one branch; a nominal capital of 200,000*l.*, in 8000 shares of 25*l.* each; 6115 shares had been issued in 1836, when its paid up capital was 30,575*l.*, and its declared dividend six per cent.; 156 persons signed the deed of settlement; its promissory notes, and bank post bills were made payable at Walsall, Penkridge, and London; from two per cent. to three and a-half per cent. interest was allowed upon deposits and balances of accounts[8].

[8] App. Commons' Rep. 1837, pp. 94, 95.

No unfavourable opinion seems to have been entertained of the solvency or management of the Bank until 1840, when a further call was rather unexpectedly and urgently pressed upon the shareholders. It was not met, and the Bank stopped in the following year. On that occasion the amount of overdrawn accounts appeared to be 57,000*l.* The shareholders are understood to have met all the engagements of the concern.

The case of the Commercial Bank of England presents some peculiar features. Its projectors aimed at a distinction which they thought would give it superior strength. Perceiving the great difference that existed between the nominal and real capitals of the majority of joint-stock Banks, they resolved that no share of theirs should appear in the market, purporting or representing to be more than it really was. In other words, they resolved that the full amount of each share issued should be paid up. To make this, which has generally been found a heavy task, a light one, they fixed the amount of their shares as low as 5*l.* each. In this way, taking power to issue 100,000 shares, they began business at Manchester, August 12, 1834, and in 1836 had issued 52,497 shares, which at 5*l.* each, made the capital 262,485*l.* In 1836

this Bank had eighteen branches, in 1837, fifteen, which it was found necessary to reduce to ten. The deed of settlement was signed by 571 persons, and in 1837 the number of proprietors was 680. There had then been two dividends, the first at the rate of six, and the second at the rate of five per cent. Both were said to have come out of profits. Interest was allowed on deposits at the rate of three per cent.[4] It is hardly necessary to remark that a Bank of this kind could not last. The principle was quite a mistaken one, and left nothing to fall back upon in the hour of trial. It is further manifest that, at the outset, the directors launched into extremes, and were immediately afterwards obliged to pull in. The conclusion of their career is soon told. In Sept. 1841, they informed the proprietors that the company's losses had absorbed the whole of the surplus fund, and one-fourth of the paid up capital. It was accordingly resolved, with great propriety, that the debts and obligations of the company should be discharged, and the Bank dissolved, a consummation, however, which does not as yet appear to have been accomplished.

The Imperial Bank of England seems to have been a very unfortunate speculation, badly got up,

[4] App. Commons' Report, 1837, pp. 30, 31.

badly conducted when established, and still worse managed after its affairs became deranged. It opened at Manchester, Dec. 26, 1836, and in 1837 had five branches in Cheshire, a nominal capital of 1,000,000*l*., in 50,000 shares of 20*l*. each, of which 18,395 had been issued, and produced a paid up capital of 73,580*l*., in two calls of 2*l*. each per share. No deed of settlement had been executed in 1837; but already the Bank held 100 shares of its own, as security for dishonoured bills. Promissory notes and bank post bills were made payable at Macclesfield, Congleton, and Knutsford, and in some cases four per cent. was allowed on deposits[5]. This Bank must have tottered as soon as it was founded. Its difficulties became apparent as early as 1838, and then a spirit of litigation sprang up, which has never ceased to vex and disgrace its proceedings. These have done more damage to the character of joint-stock Banking generally, than any other incident I am acquainted with in their history. Mistakes, errors, and even wrongs, will be overlooked in Banking; but it is not easy to forgive an obstinate determination to act in conformity with neither good sense nor justice. In the case of the Imperial Bank it has been found

[5] Commons' Report, 1837, App. p. 100.

necessary to bring a bill into Parliament authorizing the court of Chancery to appoint a public officer, in whom the estate and effects of the company shall vest, and who shall manage it, paying and compounding with the creditors, and also with the copartners for their liabilities subsequently to January 1st, 1842. It is to be hoped that this case will remain as it stands—a solitary one. We derive, however, one advantage from its proceedings. We see that the state of the law is defective in an essential respect, and we calculate upon its early correction in consequence of the lesson taught by the Imperial Bank. It is obvious, that if the jurisdiction of the Court of Bankruptcy is not extended to the case of a broken joint-stock Bank, perverse directors and an unprincipled company may succeed for a time in doing serious mischief with impunity.

The stoppage of the Marylebone Bank is easily accounted for, by the proof of negligence and misconduct on the part of the directors and manager. According to the statement made at a public meeting of the shareholders, the manager's account had been constantly over drawn for five years; he owed the Bank in this way 1,742*l.* in 1837, and 12,516*l.* in 1841. When the directors were reproached with the fact, they declared that it had taken place

without their knowledge. The Bank when it stopped owed 30,000*l.*; its paid-up capital (only 24,000*l.*) was lost, and its good assets were valued by the accountant at 17,000*l.*; and yet the shares were 40,000 in number, for twenty-five pounds each, and eleven pounds a share had been called up. With these resources the Marylebone Bank kept a house in Lombard-street, another in Cavendish-square, besides a branch in the City Road. A heavy superstructure this to rest upon such slight foundations.

Amongst the private Bankers Hammersley's house was about the first to stop, and presented circumstances more singular than any of the rest. The date of the stoppage was September 20th, 1840, and the estimated amount of deposits at the time 650,000*l.* Mr. Hugh Hammersley's death took place the day before, and it was then announced, for the first time, that he had long been the sole partner. The Bank, it was therefore submitted, could not but stop, because, in point of fact, there was no longer a Banker to it. The case was without a parallel; but it looked suspicious, and, as the event soon proved, not without reason. Mr. Hugh Hammersley left a will, in which he named his brother legatee of the business and the property belonging to it. The brother, in the course of a

few days, issued a circular-letter, in which he disclaimed and renounced the bequests, but took upon himself the character of executor, and engaged to prove the will, time being allowed for an affair of such magnitude. This proposal was not opposed; the will was proved, and, to the surprise of all parties, the property was put into Chancery for distribution.

A conclusion so uncommon was not inconsistent with the history of the house, which was *sui generis.* The Bank was founded some fifty years ago, by Thomas Hammersley, a clerk in the house of Herries and Co., who prevailed upon Messrs. Morland and Ramsbottom to set up a new Bank with him. This was done, and for a few years they carried on business under the name of Morland, Ramsbottom and Hammersley, but dissolved partnership, it is said, with a loss to each. Thomas Hammersley, who seems to have been a man of bold character, as well as considerable talent, succeeded in forming a still stronger firm, of which he placed himself at the head,—that of Hammersley, Montelieu, Greenwood, Brooksbank, and Drewe. From such an association an excellent business was to have been expected; two of the names—Montelieu and Greenwood—being well known as those of

wealthy and well-connected men; but the result proved the reverse. The principle upon which the Bank was founded was bad and illegitimate; the amount of real property invested in it, I suspect, was trifling; the partners relied for success on the reputation of their names, and a dexterous use of the credit system, which, though common enough amongst many town and country Bankers during the suspension of cash payments, was altogether fictitious, and not a whit better than kite-flying. I am not in a situation to say that these were the practices by which Hammersley's lost 160,000*l.* through a Bank at Honiton; but it was generally understood when the Honiton Bank broke, that Hammersley's, for the sake of pushing business, had propped it up very improperly and very injudiciously. They are also said to have lost as much as 40,000*l.* by an office-bearer in the Treasury, and 80,000*l.* by a patent soap manufactory which they set up in the Borough.

These reverses must have produced their natural effects in some quarter or other. The mystery in which the affairs of the Bank have been wrapped up, does not enable us to trace them distinctly, nor to explain the precise period or circumstances under which the different partners withdrew or dropped

off. All that appears certain is, that Mr. Hugh Hammersley, who succeeded his father Thomas, the founder of the Bank, is declared, as soon as he dies, to have been the sole partner, although no one had an idea that the firm consisted of that gentleman only. Under such circumstances, the conjecture is not improbable, that the Bank was insolvent during the lifetime both of the father and the son. Such, however, is not the aspect the matter was made to present to the public. Appearances are well kept up; the concern is made to last the time of those who had devised and depended upon it; and when the last who had enjoyed it dies, and the next of kin to whom it is bequeathed as a means of excellent sustenance declines the inheritance, it ceases to exist. No fiat can issue against a dead man; and after an interval of suspense, the estate is made to yield ten shillings in the pound, by some arch process or other carried on in an obscure corner of the Court of Chancery. When the former partners left, on what conditions, and with what liabilities, if any, is either not asked, or at least not publicly explained. And so ends the story of Hammersley's Bank.

A lesson of this kind is not often read, and ought to be instructive. Here is a Banker's clerk, who

leaves his employers, and sets up a Bank of his own. He is joined by gentlemen whose names and characters are a guarantee for the possession of property. After a short interval they withdraw, losers by the connexion; but the adventurer promptly finds other persons, still better known for wealth, to fill the places of the retiring partners; these, too, leave him, but not until he can do without them. He had no apparent property to start with. The firm encountered heavy losses; nevertheless, such is his address and dexterity, that the scheme has taken, and he has acquired a name, got credit, gained deposits, and dies a man of reputed substance and fair character. He leaves his Bank—insolvent, but with a yet untarnished name—to his son, who follows the example set him; sustains the unsubstantial but artful and imposing fabric at the head of which he finds himself, with a tact and presence of mind worthy of such a father, draws a handsome subsistence from it, lives well, moves in choice society, enjoys life, is considered a trust-worthy, honourable man, until he dies; and then his next of kin, not having nerve enough to play the game out, the fabric tumbles to the ground, and the creditors lose half their money. In this predicament they are offered one consolation,—they are assured

by those who profess to be in the secret, that if the house had broken down, as it might have done, ten or fifteen years before, there would not have been eighteen-pence in the pound!

The Isle of Wight Bank of Kirkpatrick and Co., is said to present, upon a smaller scale, nearly similar characteristics. It appeared when the creditors met in February last, that the estimated liabilities were about 150,000*l.* and the estimated assets only 45,000*l.* In that there was nothing out of the common run of cases; but what struck them as extraordinary was, that this Bank seemed to have been insolvent for forty years, and yet, up to the day it stopped, it was held in the highest estimation, while unbounded confidence was placed in the bankrupt, a retiring character, who lived frugally. Nearly a century ago his grandfather used to travel on foot through the Isle of Wight as a vendor of Scotch goods. At that period the post from London was only twice a week. He settled at Newport, and commenced by passing his IOU's for sums of half-a-crown, which were afterwards increased to seven shillings each. In 1771 he established himself as a Banker, issued one-pound notes, and was very successful, having, at the time Roberts and Gregory started their Bank, in 1788, deposits to an amount

exceeding 100,000*l*., which was, however, diminished, by competition with Roberts and Gregory, to under 80,000*l*., and still further decreased upon the opening of the present Banking-house of Sir Richard Bassett and Co. From the latter period until the present time, the Bank appeared to be in the most flourishing circumstances. The first founder died in 1796, leaving three sons, John, James, and Joseph, who carried on the business subsequently as partners with James the younger (the present bankrupt), the son of James, and Joseph the younger, the son of Joseph. One of the partners, John, died in 1811; another, James, the father of the present bankrupt, in 1819; and Joseph the elder, in 1820; and his son Joseph, in 1836; leaving only the bankrupt to carry on the business. The representatives of the deceased partners have drawn large sums from the firm, which, it is alleged, they were not entitled to, as, although the affairs of the Bank are supposed to have been wound up, showing a balance in their favour, yet this was effected by greatly overvaluing the property, especially the land, they held in common. The brunt of all seems to have been borne by the present bankrupt.

The failure of Wright and Co., produced great depression in the money-market and a strong sen-

sation in the public mind. For several days credit and confidence seemed paralyzed; all sorts of idle fears and injurious rumours prevailed, and on one morning no less than four London Bankers were currently reported, by name, to have gone to pieces. Wright's stopped in November, 1840, for about a million sterling, and by March, 1842, the joint estate had paid six shillings in the pound. I do, not, however, feel it necessary to say much upon it. The case tells its own story, and needs no comment. When Mr. John Wright published the letter in which he good-naturedly took all the blame of the misfortune upon himself, he confessed that the Bank stopped in consequence of his inability to meet certain commercial engagements contracted by him. That admission explained the whole affair: whether there was more or less of error and culpability, would depend upon accidental circumstances, and leave the event, however distressing, no longer a matter of surprise. A judicious and legitimate Banker will never permit himself to meddle with any business but that of his Bank. His proper sphere is Banking, and nothing but Banking. It is his province to make money by the speculations of other men, but never to take a leading or important part in them. It may be to his interest

occasionally to identify his firm with a favourite enterprise, and by so doing to gratify a good connexion and secure a profitable account. Upon such a presumption, he may be justified in holding a few shares; but to enter deeply into any undertaking, however popular and promising, or to attempt to push one forward by making large advances of capital, is a direct contravention of all sound principles, and a sure prelude, as all experience proves, to total and inextricable ruin [6].

Wakefield and son were stock-brokers, rather than Bankers; but they received moneys on deposits for investment, and hence obtained a place in the list of London Bankers. The sum for which

[6] The strong room in Henrietta street contained abundant evidence of the fragile nature of the description of security here adverted to. When the house failed, an idle Baronet, and frequent guest at Mr. John Wright's table in the days of his prosperity, whose love of wit appears to have outweighed his consideration for a friend in adversity, went about with a story, that showed the ruling passion as strong as ever, though on the verge of ruin. He said that going into the private room in the afternoon of the day before the Bank failed, he found the senior partner in close consultation with a noted and very unsuccessful omnibus proprietor. Before the parties was a small model and draft prospectus. "Come in," cried the still enthusiastic speculator, the moment he saw the Baronet; "here is a project to make a fortune by; just what's wanted, and sure to take." And what was the scheme? a joint-stock patent hearse company, for burying the dead of London in the new cemeteries outside town!

they failed was something over 173,000*l.*, of which they have paid nothing. The disclosures made when they passed their last examination, called forth an address from the commissioner of unusual severity. I subjoin an abstract of the proceedings.

COURT OF BANKRUPTCY, Basinghall Street, July 21, 1841,
In Re WAKEFIELD and Son.

The Commissioner (Sir C. F. Williams) stated that the balance-sheets of the bankrupts contained enormities which could not be passed over *sub silentio.* It was but right the public should know that there were other delinquents besides those who were reached by the criminal law, and this case was one of the foulest which had ever come before him.

The elder Wakefield was then examined as to his transaction with a lady named Potter, which commenced in 1833. She had deposited with him 2500*l.* in consols, which he sold out by her directions, and invested the amount in Dutch funds to the sum of 58,000 guilders. That investment was made in her name, and so continued until about the year 1836 or 1837, when he sold it out without her knowledge or consent, but continued to pay her the regular interest upon her stock until January, 1841. In the following month of March Mrs. Potter directed that the stock should be again sold out, and re-invested in the English funds. This not being done as speedily as it should have been, the bankrupt was pressed, and made several excuses for not having done so. At length Mrs. Potter told him if it were not done forthwith, she would at once apply to her friend Mr. Chambers; and the bankrupt knowing him to be a police magistrate, sent her two policies for 500*l.* each, which he valued at 1600*l.*, but subsequently reduced to 1200*l.* A transfer of accounts had taken place in his books between Mrs. Potter and her son-in-law, Mr. W. Wakefield, to the amount of 900*l.*, and he and the bankrupt also sent her 400*l.* in bank-notes. In order to raise that sum, he had made a sale of thirty Alliance shares, but there being no court

of directors then sitting, the transfer could not take place, and he consequently drew a check on his bankers for 450*l.* in the name of King, and handed her 400*l.* out of it.

The bankrupt further stated that he was not aware of the probability of his becoming a bankrupt when he made these payments, although he did think eventually he might end in bankruptcy. He was still, however, in hopes of being able to retrieve himself by his success in business, and he was not aware of being so involved by 30,000*l.*

Sir C. F. Williams remarked, that with his liabilities, amounting to upwards of 90,000*l.*, and not quite 5000*l.* to meet them, he might as well think of paying off the national debt.

The bankrupt was next examined respecting Dutch bonds deposited with him for sale from the 6th of April, amounting to 120,000 guilders ; in the evening of that day he and his partners had made up their minds to stop payment next day.

Commissioner.—Then from that moment you had not the slightest control over those funds which are the property of the creditors.

Bankrupt the next morning, not being able to do any business, sent back a large parcel to Messrs. Twining by the hands of his son-in-law (Mr. Sleay) and he had every reason to believe that it was safely delivered.—No entry of this transaction was made.—Value of the Dutch stock was about 7000*l.*—Questioned relative to the accounts of the Rev. Mr. Martin and Mr. George Gregory.

July 22.—The proceedings were resumed and the elder bankrupt said the amount of expenses exhibited in the balance-sheet was correct. He had drawn out of the concern 75,154*l.*, and his son 37,256*l.*

Sir C. F. Williams. The books of the firm appear to have been very accurately kept, but that fact acts two ways, for although it might be said to be in favour of the bankrupts' conduct of their business, it could but be evident that they must have known the situation they were in at the different periods at which they made such wholesale spoliation of their customers' property.

The elder bankrupt swore that although his expenses were larger some years than others, he had endeavoured, when he

found what was the state of his affairs, to decrease his expenditure. All the stock and moneys sold out were for the general purposes of business. In the instance where they misappropriated Mr. Burnie's 5,169*l.*, it went, as all others did, to pay the current demands of the day.

Sir C. F. Williams was sorry to hear the bankrupt, a man of years, so coolly speak of misappropriations like these, and say they were made for the general purposes of business. It was in fact robbing one family to pay what another family had lost; and it appeared to him that all moral feeling must be lost when a party like the bankrupt, who had held such a respectable position in life, committed such enormities as these now disclosed. He wondered how, after the deliberate manner in which these frauds had been committed, and which inflicted ruin and injury on many families, he could seek his pillow for rest. The bankrupt said that up to the hour of his failure he maintained an unblemished reputation at the Stock Exchange.—Sir C. F. Williams: But it was not then known that you had applied 75,000*l.* of other people's money to the wants of business. The elder bankrupt in reply to a question said, that the average profits of the concern might be 2000*l.*, and they might have doubled their "drawings" (i. e. what they took from the concern). The books were regularly kept, which would show this.—Sir C. F. Williams: And that makes it the more infamous, for you must have been aware that it did not answer.

Mr. Coates appeared for Mr. Partridge, a heavy sufferer; the reply of the official assignee to a question he had put to him, had considerable bearing on the matter at issue. That gentleman, from the insight he had had into the books of the bankrupts and their general affairs, had no reason to suppose they had made a purse for themselves. The official assignee said, he certainly believed they had not.—Sir C. F. Williams was also of the same opinion.

Sir C. F. Williams (to the elder bankrupt): With respect to the transactions that passed between you and Mrs. Potter through her son-in-law, and which you say were always conducted through him, do you mean to swear that she never addressed you by letter, or note, or any written instrument upon

those affairs ?—The bankrupt : Yes, I do, distinctly.—Sir. C. F. Williams : What, not in the whole course of communication, not a note ?—The bankrupt: Most certainly not.—Sir C. F. Williams : I put the question thus strongly, because it is so singular that no letter or note had been passed. It was very fortunate for the bankrupt that no letter had passed, for it only required writing to bring it within Sir Thomas Plumer's Act, and then he would have stood in a very perilous position.—The bankrupt : She is a very old woman, and very seldom leaves her room. I have not seen her for the last seven years.

The younger bankrupt said he entered as a partner into the concern in 1818. He was dependent on his father, and all he knew was, that a credit of from 2000*l.* to 3000*l.* at that time stood to his father's account. He did not remember the first time that customers' moneys were misapplied. It was, he believed, in the year 1833. The total amount of misappropriation, he thought, would amount to 78,164*l.*

Sir C. F. Williams thought it his duty to make some remarks upon this case, which he characterised as one of the most flagrant he had ever heard of. Here were two persons moving in a highly respectable sphere of life, whose associates, whose habits, and whose connexions ought to have been sufficient to deter them from pursuing the course of conduct they had, and who, invested as they were with great and unbounded confidence, had, in betraying their trust, sacrificed the fortunes of their relatives, their friends, and their customers. The elder bankrupt had had a very narrow escape in the case of Mrs. Potter, who, if she had but written one note, would have brought him within the reach of the criminal law by the Act he had before alluded to. How they could have stood up with any face before society with such a load of moral responsibility on their heads he was at a loss to conceive. The deliberate and systematic manner that marked the whole proceeding was such as to call forth the severest condemnation. Although reprehensible in the highest degree, the case where a man with any pressure upon him on the sudden emergency misapplied another's capital, was comparatively blameless to this, where they had, in the most cool, designing manner, sold out 45,000*l.* of stock, besides misapplying 33,000*l.*, moneys

left in their hands for investment. After such a wholesale spoliation of other people's means, they could expect no sympathy; and although they might think his observations severe, they were nothing more than the justice of the case deserved. They had deceived their relatives, their friends, and their customers; they had sacrificed people's property in the most uncompromising manner, and although some might not feel it so keenly as others, having more extended means, still they knew the loss of their property, while there were those whom they, by their nefarious acts, had either severely crippled or totally ruined. And this course of treachery, plunder, and breach of confidence, they had carried on for a successive number of years almost without the cessation of an interval. Their culpability was beyond all expression, one out of ten thousand cases he thought could hardly be brought to equal it. But in viewing the responsibility which they had entailed upon themselves by the sacrifice of reputation, they must also feel that not the least part of it arose from the shock public confidence received when it became known, which might have most materially injured their fellow-brokers. All such cases as these spread the seed of a want of confidence, and neighbour suspected neighbour, however estimated he might be for probity and honesty. They might have been the cause of incalculable mischief. It was altogether a very melancholy case; such another he never wished to hear again, but he sincerely trusted that it would prove a warning to many persons, while he hoped some law would be framed to meet these cases with proper punishment. A few years since the bankrupts would have been liable to a banishment for fourteen years. After a few further observations, Sir Charles declared the bankrupts passed.

Having been sworn to their balance-sheets, the bankrupts, as usual, delivered over what was in their possession, and had it described in the "declaration" of passing. In this instance there were two watches and some loose silver.—Sir C. F. Williams: Of course this property will be returned to the bankrupts?—Mr. Burnie: As far as I am concerned for myself and my co-assignee, they shall not have a farthing. I may be called a man of property, and have not lost more than £5,000; but

there are parties whom they have reduced to beggary. They rather deserved fourteen years' transportation, but I am afraid they are beyond the reach of it.—Sir C. F. Williams : Then the property must be given up.—This seemed to affect the bankrupts more than any previous part of the proceedings.

To these instances of the extent to which private Bankers, endowed with sufficient nous and nerve for playing so desperate a game, have succeeded of late years in practising upon the public, the old and strong case of Henry Fauntleroy should be added. This man was the acting partner in the house of Marsh, Sibbald, and Co., of Berners-street, Oxford-street, and was hung at Newgate for forgery, in 1824. The statement made by the attorney-general in his address to the jury put the principal facts of the case in a short compass.

"Mr. Fauntleroy, the father of the prisoner, became a partner at the establishment of the Bank, and continued such till his death, in 1807. At that period the prisoner was admitted into the concern, and became the most active member of it. In 1815 Frances Young, of Chichester, a customer of the house, lodged in their hands a power of attorney to receive the dividends on 5,540*l.* three per cent. consols. The dividends were regularly received ; but soon afterwards another power of attorney, authorizing the prisoner to sell that stock, was presented to the Bank, and the sale was effected by him : to this power the prisoner had forged the names of Frances Young and of two witnesses to it. But the most extraordinary part of the case was, that among the prisoner's private papers, contained in a tin box, there had been found one in which he acknowledged his guilt, and adduced a reason for his conduct.

"The attorney-general then read the paper, which presented the following items :—'De la Place, 11,150*l.* three per cent. consols. ; E. W. Young, 5,000*l.* consols. ; General Young, 6,000*l.* consols. ; Frances Young, 5,000*l.* consols. ; H. Kelly, 6,000*l.* consols. ; Lady Nelson, 11,995*l.* consols. ; Earl of Ossory, 7,000*l.* 4 per cents. ; W. Bowen, 9,400*l.* 4 per cents.; Parkins, 4,000*l.* consols.'

"Sums were also placed to the names of Mrs. Pelham, Lady Aboyne, W. R. and H. Fauntleroy, and Elizabeth Fauntleroy ; and the learned gentleman observed, that all the sums were

added together, and the sum total, 120,000*l*., appeared at the foot of this list, in the prisoner's hand-writing. The statement was followed by this declaration :—

"' In order to keep up the credit of our house, I have forged powers of attorney for the above sums and parties, and sold out to the amount here stated, and without the knowledge of my partners. I kept up the payment of the dividends, but made no entries of such payments in our books.

"' (Signed) HENRY FAUNTLEROY.

"' Berners-street, May 7, 1816.

"' P. S.—The Bank began first to refuse to discount our acceptances, and to destroy the credit of our house ; the Bank shall smart for it.' "

The loss sustained by the delinquency of this extraordinary individual, by all the forgeries he committed up to the time of his apprehension, ultimately fell upon the Bank of England, and they amounted to 360,000*l*. Marsh, Sibbald, and Co. immediately became bankrupts, and there was a reduction in the annual dividend upon Bank of England stock.

I had prepared a summary of the losses occasioned by the different failures amongst the private and joint-stock Banks during the last two years, but the amount appears so formidably large on the one side and so small on the other, that it would be invidious to publish it. I feel, moreover, that in every such estimate many inaccuracies are likely to be embodied in consequence of the difficulty there must always be in getting information that can be depended upon in complicated matters of detail, spread over all parts of the country, and extending through so long a period of time. The subject is too serious to admit of mistake or misrepresenta-

tion, however unintentional; I am content to leave it therefore as it stands.

The course of my narrative, and the particulars I have recapitulated to illustrate it, ought by this time to enable my readers to form a judgment of their own upon the comparative merits and defects of the two systems of Banking under consideration, private and joint-stock. The objections to be urged against private Banking are obvious enough: they present themselves in a heap, and are too plain to be mistaken. They are summed up in the great number of failures that take place whenever there is heavy run upon such establishments, and the enormous losses entailed upon the community, whenever many of them become bankrupt. I have repeatedly heard it said, that there are no means of proving the wealth of a private Bank until after it has been broken. There is some truth in the remark, but it is in the nature of things that the case should stand as it does. Private Banking necessarily *is private:* you cannot with any propriety or fairness invade such a business, and apply to it the tests and trials which it is reasonable and just to subject a public one to. You cannot demand proofs from, and force examinations upon an individual, who has forfeited no engagement and done no wrong. The public must judge for itself,

and draw its own inferences from what appears before it. In short, there is no medium in private Banking; confidence in that pursuit is every thing, and to be effective it must be complete. Whenever it is well deserved and freely given, the system will be found to work excellently for all parties concerned; whenever it is given and not deserved, ruin follows.

The objections raised against joint-stock Banking are more numerous: many of them, moreover, are of a specific nature which admits of distinct notice. It is said that secrecy is not sufficiently honoured in them, and that they are deficient in unity of purpose and action. There is no direct refutation to be given to this charge; it is an inherent quality in the constitution of the body, which must always suffer more or less from it. Twelve or twenty-four directors will rarely be found to act with the promptitude or decision of one or two men. Nor will communications of a confidential character always be respected by many as by a few persons. All I shall say, supposing myself umpire upon this point, is that cases are sure to occur in which a discreet man will deem it, and find it, more to his advantage to seek assistance from a private than a joint-stock Bank; on the other hand he who has no particular cause to be reserved, and

wishes to know something of the state of the Bank in which he places his money, will prefer the latter.

Upon these and other similar complaints of a theoretical description, I do not feel myself required to enlarge. But fault has been found with the practices of the joint-stock Banks; and as that is serious matter, I must not pass it over in silence. It has been alleged that many companies have been formed for the express purpose of aiding the commercial operations of the directors, and that, while they and their friends, a favoured few, have received undue assistance, the community at large has been denied its proper accommodation. I am by no means prepared to say that there are no grounds for this accusation, but I feel confident that no mal-practices of the kind could be persevered in for any length of time, if all joint-stock Banks had been bound by law from the period of their first establishment to the observance of a few simple rules, for the proper audit and frequent publication of their accounts. The same remark applies to another reproach cast upon some joint-stock Banks; namely, that they have encouraged persons, either of no property, or at least of no sufficient property, to take shares upon a promise that money would be lent to them upon the Bank being set up,

and that money has been lent accordingly. There can be no defence of conduct like this; as an argument against joint-stock Banking, it defeats itself; because its very impropriety seems enough to show that it cannot have been general. The directors and managers must be worse than knaves, they must have been sheer simpletons, to indulge in a licence as certain to bring destruction down upon their heads, as if they had fired the bank building with lighted torches. In offering this opinion, I would by no means be understood to say that the abuse has not prevailed. I only mean to point to its destructive nature as a proof that it cannot have been practised generally; for if it had, the havoc amongst the joint-stock Banks must have been greater than it has proved.

Another objection is, that from time to time the directors of joint-stock Banks are found to become bankrupts, and being heavily indebted to the Bank, the proprietors lose money by the very men selected and advanced to protect them from loss. Imputations of this kind have always struck me as being very unreasonable. It was never pretended by the patrons or promoters of joint-stock Banking, that its system afforded a guarantee or preventive against the casualty of bankruptcy on the part of those who

took a lead in the management of its affairs. The Bank of England has not been exempt from accidents of this kind. Why should they not occur in the case of a joint-stock Bank? We have seen Messrs. Manning, Buller, Raikes, Ward, and Curtis go into the Gazette, while governors and directors of the Bank of England, and have, therefore, little cause to feel surprise, and certainly should not deem it a grievance, that other joint-stock companies are occasionally exposed to a like scandal.

Not to dwell longer on small points, I should observe, by way of general summary, that whether in a private or joint-stock Bank, the first great thing is to begin upon right principles, and the second to stick to them. A man may not always find it easy to discover how far the first is accurately observed in a new establishment. He has, however, facts enough to refer to if he wishes to judge how far the second has been attended to of late years by these rival traders in money.

Having dwelt thus far on the past, it seems natural to glance for a moment at the future. My own opinion I confess is, that we shall have by and by still fewer private Banks than we have now, and that those which remain will be principally confined

to the large towns and chief seats of commerce, and be very rich. I also think that the total extinction of private Banks in England would be felt as a great injury and inconvenience. There is scarcely a working day in the year in which their support is not sought with avidity, and obtained with advantage. The Bank of England could not supply their place, although the utility of that institution has been most sensibly felt in moments of pressure. But it does not in ordinary times found its issues on discounts. It is not, therefore, an accommodation Bank, nor, upon the whole, is it desirable that it should be. "The Bank of England," as Mr. Jones Loyd remarked to the Commons' Committee of 1832, "does not offer the accommodation the private Banker affords, and therefore it can never obtain that hold upon the private business of the country which is now possessed by the private Banker. The latter enters into transactions which the Bank of England would not undertake, and it is certainly a public advantage that some party should embark in them."

Such being the case, it is easy to perceive that no extension of the Bank of England, nor of the branches it has founded, would suffice to supersede the private Banks, because it would not outbid or

exceed them in point of convenience and utility to the customer. It is remarkable that, highly as the branches of the Bank of England have been thought of, and much as they are prized in their different localities, they are far from doing the largest or most profitable business where they are established. This appears, upon inquiry, to be true of the branches of the Bank of Ireland, in the sister country, as well as those of the Bank of England throughout the English provinces. Now the feelings and circumstances by which this state of things has been superinduced would, I apprehend, if analysed, prove of a nature that would apply with nearly equal force to joint-stock Banks. If I am right in this conjecture, private Banking is far removed from the danger of extinction.

The distinction drawn by Mr. Loyd between the functions of the Bank of England and the private Bankers, was still more clearly explained to the same committee by Mr. George Carr Glyn, a gentleman of great quickness, capacity, shrewdness, and experience. "The London Bankers frequently allow a customer, if he be a respectable trader, to overdraw his account, merely upon the opinion they have of his good character. It almost daily happens that a customer of known property comes to

them and says, put 5000*l.* or 10,000*l.* to my account, and they must always be prepared to meet a demand of that nature. Instances occur every day in which it would be impossible for the first mercantile houses in London to deal with the Bank of England, or with a joint-stock company. They come often to ask for loans for the purpose of executing orders from abroad, for the export of bullion, and on commodities. They communicate confidentially with their private Banker, but they could not follow this course, or make these communications to the directors of a joint-stock Bank, some of whom might be their rivals in trade and in these operations. Again, among the second class of traders we are obliged to proceed often upon the knowledge we have acquired of their business and character, a system upon which a joint-stock Bank could not act. If these modes of accommodation were withdrawn, the distress amongst many of the trades in London would be extreme, and the impediments to business insuperable[6]."

[6] Mr. Glyn, if report speaks true, represents one who would have been a good authority upon the points adverted to. His father, the late Alderman Sir R. C. Glyn, Bart., is said to have been remarkable for the strength and success with which he occasionally came to the rescue of a falling house, and saved it from ruin. One anecdote told of him in this respect is so pleasant,

From these various explanations the weight due to the opinions expressed against joint-stock Banking may be generally estimated. Of all that has been said and written in their praise I shall give no particulars, nor undertake to furnish evidence of the extent to which public feeling has declared in their favour. One thing, however, I am bound to observe: a general impression has long prevailed that, beneficial as they have proved, they are still susceptible of considerable improvements. As several plans have been offered for effecting this desirable object, I invite attention to the principal ones.

When Lord Althorp brought forward his measures for renewing the Bank of England Charter in 1832, he also proposed to introduce others for a better regulation of country and joint-stock Banks. They were,

"1. That Government should have the power of granting charters to joint-stock Banks issuing notes beyond sixty-five miles from London, and to

that every one who hears it cannot but wish it true. An old customer, it is said, once applied to him for assistance under very adverse circumstances; the partners were against, but the Baronet for granting it, and he carried his point, advanced liberally, and pulled his customer through all his difficulties. The firm thus opportunely preserved afterwards realized great wealth, and the head of it, when he died, bequeathed, it is said, 5000*l*. a-year as a proof of his gratitude to Sir R. C. Glyn.

joint-stock Banks within the sixty-five miles, provided they issued only the notes of the Bank of England.

"2. That the joint-stock Banks which issued notes should be required to pay up one-half of their capital, and all the shareholders be answerable individually to the full extent of their property.

"3. That the joint-stock Banks which did not issue their own notes, should be required to pay up only one-fourth of their capital, and the shareholders be responsible only to the amounts of their shares.

"4. That the Government, when granting the charter should have the power to decide whether the amount of capital subscribed was a sufficient amount for the place in which the Bank was situated.

"5. That each private Bank should be required to send a statement of its accounts to the Government in London, as a strictly confidential paper; which was not to be published in a separate form, but the accounts being added together, the total result should be given to the public periodically.

"6. That to enable the Government to know the total amounts of notes in circulation, each private Bank, as well as each joint-stock Bank, should be compelled to compound for the stamp-duties."

The Bank of England proprietors agreed, at a subsequent meeting, to the measures which had a reference to them; but the country Bankers felt and expressed great dissatisfaction, and memorialized Earl Grey, the first lord of the treasury, and Lord Althorp, the chancellor of the exchequer, upon the subject. Their opposition caused a postponement of the proposed measures, at which no one felt much regret, and no interest, I apprehend, sustained any loss. The plan was neither statesmanlike nor enlarged, and but few salutary effects, such as the circumstances of the case demanded, could have resulted from it.

The degree in which the Government of that period was disposed to adopt the advice of joint-stock Bankers themselves in this matter, will be seen by comparing the following "Improvements, suggested, after much consideration, by the directors of joint-stock Banks at Manchester and Liverpool, to the Chancellor of the Exchequer, comprehending their views of the alterations that ought to be effected in the present law relating to such establishments, before they would deem it advisable to issue paper-money of their own:"—

"1. That joint-stock Banking companies shall consist of at least 100 proprietors; of whom not

fewer than twenty shall have paid up at least 1,000*l.* each.

"2. That such companies shall have a paid-up capital of at least 100,000*l.*, and a subscribed capital of not less than 500,000*l.*; and that all proprietors of such companies shall be individually answerable for all the obligations of the company.

"3. That such companies shall make and execute a deed of settlement, stating the number of proprietors, the amount of subscribed and paid-up capital, of each respectively, the names and designation of the directors and public officers, and all the conditions of the partnership; which deed shall be sent to a public registry before it shall be lawful to commence business as a joint-stock Banking company.

"4. That such companies shall not establish branches at a greater distance than twenty miles from the parent Bank; nor shall such be empowered to issue notes or bills other than those of the parent Bank, such branches being intended to act only as discount and deposit offices.

"5. That such companies shall be under the government and control of boards of directors, to be annually chosen by the proprietors, consisting of not fewer than seven.

"6. That reports be made annually by the directors of such companies, exhibiting a corrected list of the proprietors, with the amount of stock held by each, the amount of capital at the time, and a full and fair account of the affairs of the company; which report shall be sent to a public registry, and be accessible to the public on the payment of one shilling.

"7. That such companies shall have the power of making their notes and drafts, of whatever amount, payable either at their respective localities or in London, or in both places, but not elsewhere; and when payable in London, either at a London Banker's or at an office of the company.

"8. That such company shall have the power to draw Bank post-bills, made payable to a party other than the party from whom the value is received, as the Bank of England.

"9. That such company shall have the privilege of using the same description of engraving and water-marks, for the prevention of forgery, as the Bank of England has or may have secured to it.

"10. That such company shall have the power to compound for stamps on the same terms, *pro ratâ*, for the business done, as the Bank of England has.

"11. That assignees and trustees who may be shareholders in such companies, shall have the power to deposit the trust-moneys in a joint-stock Bank, notwithstanding their having a proprietary interest in the company.

"12. That transfers of shares in the stock of such company be allowed to be made on one-shilling stamps.

"13. That all Banking-houses not conforming to the proposed law, be held by law to be private Banking-houses, of whatever number of partners they may consist.

"14. That while compliance with the preceding conditions be enforced by Parliament on every joint-stock Bank that shall be established, a specific license or charter shall be requisite in each particular case, in order that Government may exercise its discretion on every application, in determining the number of proprietors and amount of paid-up and subscribed capital which may be requisite beyond the minimum prescribed by law, to give full security to the public, and a reasonable protection to joint-stock Banks previously established."

It is no commendation of these suggestions to say, that they are decidedly superior to the Government propositions by which they were followed:

they are not, however, what they ought to have been. I object to the limitations upon the number of partners, the amount of capital, and the distance of branches: they are arbitrary, unnecessary, and therefore impolitic. No definable law exists in Banking applicable to details of this kind. Different systems and modes of business constantly render all such primary conditions nugatory and absurd. We know that a large paid-up capital does not offer a sufficient guarantee against imprudence and loss; and, on the other hand, that a small paid-up capital does not repel customers, when attention, regularity, knowledge, and judgment are apparent. In these particulars, and also in that which advised Government interference, the directors of the Manchester and Liverpool Banks do not appear to have taken very sound views. Many well-educated and liberal-minded men have been strangely led away of late years by a mistaken partiality for the summary correction of every thing that goes wrong, by giving the Government of the day power to direct a right course in all things, and preventing people from taking any other but the one prescribed. Wiser heads and more expressive pens than mine have exposed the folly of this notion; I only repeat the sense of men who are

entitled to be regarded as authorities, when I assert that all dictation of this kind in matters of trade and commerce is positively mischievous. Whatever you impose upon Government, you remove from the real agent; Government interference, accordingly, relaxes care and industry, retards progression and improvement, divides and diminishes responsibility, and by checking the natural impulses of interest and invention, crops prematurely the products of their fruitfulness.

I have been more than once at a loss for an appropriate place to speak of the Bank of Manchester, and as I fear I am not likely to find one more suitable than the present, I shall here offer a short sketch of its constitution and proceedings. The suggestions I have just copied and considered explain the opinions entertained by some of the most eminent merchants and manufacturers in Manchester upon the law of joint-stock Banking. The operations of the Bank of Manchester exhibit their practice as Bankers. The directors are amongst the most stirring, intelligent, wealthy men in their district. They are leading members of the Manchester Chamber of Commerce; they have figured conspicuously before the committees that have made Banking so frequently a subject of inquiry in the

House of Commons of late years. Their proceedings have attracted, and are entitled to attentive consideration.

They founded the Bank of Manchester in the latter part of 1828, and commenced business in 1829. In 1832 the company consisted of 600 proprietors; the subscribed capital was 2,000,000*l.* sterling, the paid up 300,000*l.* This was at the rate of 15*l.* a share, the premium upon which was then 4*l.*, and the dividend eight per cent. per annum. Soon after the establishment of the Bank, the directors applied for, and were refused, a discount account at the Manchester branch of the Bank of England. This compelled them to send their bills for discount up to the London bill-brokers, who charged a profit upon the transaction. At this period they circulated no notes, that is to say none payable to bearer on demand. But they issued bank post bills at seven days sight, and drafts on London at thirty, sixty, and ninety days. To explain the general character and extent of these transactions, Mr. Dyer, one of the directors, stated to the Bank Charter Committee in 1832, that of the last two millions of money paid by the Bank, one million had been paid in Bank of England notes and specie, (the latter in the proportion

of one-fourth) 90,000*l.* in re-issued bills of exchange, 753,000*l.* in drafts on their London agents and customers' acceptances, and 180,000*l.* in bank post bills.

I have spoken in chapter II. of the ordeal the directors had to undergo when they resolved to issue their own notes, and the spirited manner in which Mr. Denison aided them in taking that course. The result of the experiment, and the present condition of the company was detailed in the report of the directors in October, 1841. According to that document, the failure of a number of houses having transactions with the bank, and several losses, amounting in the aggregate to a large sum, had been sustained during the preceding year. Notwithstanding the exaggerated reports which had been circulated respecting these bad debts, to the prejudice of the share-holders and the business of the concern, the managers were happy to say, that after providing for the whole of the losses of former years, as well as those of the past year, the reserved surplus fund had been found more than adequate to cover the same without trenching on the capital of the bank. The accounts had been balanced to the usual period, the 30th of June, by which it was shown that the net profits for the

year amounted to 50,830*l.* 12*s.* 11*d.* Out of this sum, two dividends (making together five per cent. on the capital) had been paid to the proprietors, amounting to 37,051*l.* 10*s.* The remaining balance, 13,779*l.* 2*s.* 11*d.*, had been carried to the reserved surplus fund. That by the last report, was 36,642*l.* 9*s.* 10*d.*; the above portion of profits being added to it, viz., 13,779*l.* 2*s.* 11*d.*, made 50,421*l.* 12*s.* 9*d.*, from which had been deducted the total estimated amount of losses to the 1st of July, 31,000*l.*, leaving a balance of 19,321*l.* 12*s.* 9*d.* as the credit of the reserved surplus fund. The amount of the paid up capital was stated to be 741,030*l.*, and the number of proprietors 515. The directors regretted that the losses above referred to, and the continued depression of trade, had rendered it advisable to reduce the rate of dividend for the last half year. They also announced that in consequence of the prevailing prejudice in Manchester and its neighbourhood against the circulation of local notes, they had decided to discontinue the issue of notes payable to bearer on demand, and to withdraw those in circulation. The Bank therefore ceased to be a Bank of issue on the 19th of July, 1841.

A specific enumeration of the practical difficulties encountered by joint-stock Banks in the ordi-

nary course of business, was made in a letter addressed to Lord Melbourne, January 30th, 1839, and signed, "On the part of the Committee of Deputies of Joint-stock Banks," by their chairman, Mr. Patrick Maxwell Stewart, now member for Renfrewshire. The chief alterations solicited on that occasion by the Banks were,

"1st. That the law should render permanent the Act 1 and 2 Vict. cap. 96, enabling joint-stock Banks to sue their own members.

"2nd. That the law should enable joint-stock Banks to prosecute criminally any shareholder who shall be guilty of a fraud upon the company.

"3rd. That the law should permit any shareholder to appear as an evidence in a cause in which the company may be either plaintiff or defendant, or in any criminal proceeding at the instance of the company.

"4th. That the law should more explicitly declare, that no shareholder who is not duly authorized, shall have the power of binding the company, and should render it penal to make the attempt.

"5th. That the law should more explicitly declare, that legal notices shall be valid only when served on the principal officer of the company, or addressed to him officially at his head office.

"6th. That the law should declare that no

shareholder shall, *as such*, be liable to the operation of the laws of bankruptcy.

"7th. That the law should permit an assignee to a bankrupt's estate to lodge the money, with the consent of the creditors, in a joint-stock Bank in which the assignee may be a shareholder."

These are sensible proposals, and will, in all probability, be made law, when Parliament deals, as it is expected to do, with the subject of Banking generally, upon the approaching termination of the Bank of England charter. Lord Melbourne's ministry was evidently not indisposed to give the joint-stock Banks relief from the more galling restrictions under which they have still to contend. In the Bank of Ireland Renewal Bill, introduced by Mr. Spring Rice just before he ceased to be chancellor of the exchequer, were some important concessions, which it may not be amiss to mention. Bankers, though exceeding six in number, were to be allowed to draw and accept bills of exchange payable at not less than ten days' sight, and for not less than 10*l*. in amount; and although issuing notes at places fifty miles from Dublin, they were allowed houses of business within that limit, provided they neither issued nor reissued notes at such houses, and kept no cash, deposit, or drawing ac-

counts at them. The bill, however, was lost, and the proposed concessions with it.

Various as these points and suggestions are, respecting both private and joint-stock Banks and Bankers, a general consideration of the question, and the reflections prompted by a patient review of the progress of Banking, and the more conspicuous results produced by the systems in operation, would not lead me to recommend many new measures in the law as it stands. There is much unquestionably which I think ought to be removed; but I would not re-enact to the same extent that I would repeal. It is not always by making rules and laying down penal injunctions, that the commission of evil is prevented and the promotion of good secured. The legislator is most likely to succeed in this laudable aspiration, who takes care to keep the stage clear, and the field open for the introduction of good measures—bad ones cannot long bear a competition with them, if both be left without undue influence to bias the common sense of mankind. In the removal of all distinctions and privileges, and a general equalization of the modes and terms upon which the business of Banking shall be carried on, we see nothing more than is consistent with reason and equity. I would there-

fore remove impediments, and leave every thing as free as possible.

A distinction must always be preserved between private and joint-stock Banks. From the former if they issued notes, I would demand a weekly return of the amount in circulation, and I would have that return regularly advertised in at least two newspapers, having the largest circulation in the locality concerned. In all other respects I would leave the private Banker to the confidence of his customers.

From the joint-stock Banks I would exact some further obligations on the ground of public policy. Publicity is the great corrector of evil: I would therefore ensure a fair measure of publicity above all things. I would require from them, as a matter of course, a publication of issues such as that demanded of the private Banker. I would remove the vexatious and impolitic restrictions against which they have for some years been remonstrating. I would have them make public a quarterly account of their assets and liabilities, according to a prescribed form, which without being too searching, or improperly revealing details, should present a fair view of the condition and resources of every Bank. I would insist upon a full audit once a year of the whole

affairs of the company by competent persons specially appointed for the purpose, not by the directors, but by the shareholders at a public meeting; and I would have the balance sheet of the accounts after having been thus audited, subscribed before a magistrate by the auditors upon their solemn asseveration in lieu of an oath, with a certificate annexed as to the correctness of their audit, the correspondence of the accounts themselves with the quarterly returns to be published as already suggested, and the general conformity of the transactions with legitimate Banking principles. I would make it a misdemeanour upon the part of the auditors to give a false or wilfully incorrect certificate; and whenever a joint-stock Bank failed, I would have its affairs wound up by a competent bankruptcy officer[7].

I shall conclude this long, but I hope not tedious chapter, for it is not barren of important facts and useful suggestions, with a short notice of the joint-stock Banks of London, and an account of the circulation of the private and joint-stock Banks

[7] This might be done by declaring the company bankrupt, but not each member or shareholder separately; in which case the latter might be treated as debtors to the joint-stock, and a distribution of the liabilities be made, *pro ratâ*, upon the shares held by the copartners.

of the United Kingdom, down to the date of the last Parliamentary return upon the subject.

The London joint-stock Banks have been eight and now are six in number [8]; the London and Westminster, the London Joint-stock, the Union, the Commercial, the National Provincial, and the London and County. The two last of these are head offices for branches dispersed throughout the country.

The act that renewed the Bank of England charter in 1833, having allowed co-partnerships consisting of more than six persons to carry on the business of Banking in London; a proposal was soon published for establishing the London and Westminster Bank. But the plan was not popular at first; the shares were not taken up briskly, and the Bank did not commence business until March 10, 1834, and then with a paid-up capital of only 50,000*l.*

As the Bank charter act did not prescribe the way in which companies of more than six persons were to sue or be sued; the London and Westminster Bank applied to Parliament in the same year for the same authority, to sue and be sued in the names of their public officers,

[8] The other two were the Marylebone Bank already spoken of, and the Metropolitan, which after a short career sunk into the Union Bank.

as those Banking companies enjoy which are established beyond sixty-five miles from London. This Bill was carried by large majorities through the House of Commons, although opposed by the influence of the Bank of England, and by Lord Althorp, then Chancellor of the exchequer; but it was lost in the Lords. The Bank consequently sues and is sued through the medium of trustees.

Previous to the commencement of business, the directors were refused admission to the clearing house; and a drawing account at the Bank of England.

The first annual report, March 4, 1835, gave a paid up capital, increased by two calls of five pounds, of 244,945*l*.

In December 1835, the subscribed shares issued were 17,818, in number, and the directors soon afterwards made a fourth call of five pounds per share. This made twenty pounds paid upon each share, and the whole paid up capital more than 400,000*l*. The dividend at the end of this year, 1835, was at the rate of four per cent.

At the commencement of 1836, the Bank, in addition to a branch at Waterloo Place, Pall-Mall, which had been opened when the head office in Throgmorton Street began business, established a branch in High-Holborn; another at White-chapel; and another in Wellington street, South-

wark. In the following June, a branch was opened at Oxford street. In this year the directors issued 9333 shares at a premium of 4*l*. 10*s*. per share, by which, 41,998*l*. 10*s*. was realized in premiums. The total paid up capital on December 31, 1836, amounted to 597,225*l*., on which a dividend was paid at the rate of five per cent.

The capital of the Bank was fixed at 5,000,000*l*. sterling, divided into 50,000 shares of 100*l*. each. 30,750 of these shares have been issued, and are now held by above 950 copartners, who have paid up 786,300*l*. When the remaining 20,000 shall have been issued, the paid up capital of the Bank will be 1,000,000*l*., with a power in the directors of calling up an additional sum of 4,000,000*l*. sterling.

The condition of an account with a private Banker, is a certain balance in the Banker's hands, unproductive to the depositor; the London and Westminster Bank desiring to accommodate persons who had not the means of keeping large balances unemployed, but were willing to pay a commission for conducting their business, agreed to take current accounts upon a commission proportioned to the transactions carried on; and also to receive, at two and a half per cent. interest, deposits of from 10*l*. to 1000*l*.

A farther attempt was made to popularize the system of Banking in London, by allowing interest upon small sums of money lodged on deposit receipts. Sums from ten pounds upward are received on deposit, and interest allowed if they remain only one month in the Bank, and they are at all times repayable upon demand without notice; the system of cash credits, as practised in Scotland, has not however been adopted; temporary or permanent lodgements are received of sums of 1000*l.* and upwards, upon special agreement as to the rate of interest and time of repayment. The rate of interest is usually governed by the state of the money market, and the principal is repaid at a fixed time, or at a few days' notice, as may be agreed upon.

The most interesting feature in the history of this Bank, is the contest it was engaged in with the Bank of England, respecting the right to accept Bills drawn by its correspondents at a less date than six months. Being advised by counsel that this privilege might be lawfully exercised, notwithstanding the Bank Charter Act, the directors resolved to try the question, and after a long litigation, after an action at law, a suit in equity, a reference to all the judges, and an appeal to the House of Lords, were defeated.

The statement and balance sheet adopted at the eighth annual meeting, held March 2, 1841, showed: "that, after defraying all the current expenses, and after making ample allowance for all bad and doubtful debts, the net profits of the year amounted to 51,300*l.* 0*s.* 9*d.* Out of these profits the directors had paid in September a dividend for the half-year ending the 30th of June, at the rate of six per cent. per annum, on the capital of 597,280*l.*, and they then declared a dividend at the same rate, for the half-year ending the 31st of December, upon the increased capital of 786,300*l.* After the payment of these dividends, which together amounted to 41,507*l.* 8*s.*, there remained from the profits of the year a surplus of 9,792*l.* 12*s.* 9*d.*, which added to 46,215*l.* 3*s.* 11*d.*, the unappropriated profits of former years, made the surplus-fund, arising solely from Banking profits, amount to 56,007*l.* 16*s.* 8*d.*

PROFIT AND LOSS.

Dr.	£.	*s.*	*d.*
Payment of the dividend on the 10th September, 1841, at the rate of 3*l.* per cent. on a capital of 597,280*l.*	17,918	8	0
Payment of the dividend now de-			

	£.	s.	d.
clared at the rate of 3*l*. per cent. on a capital of 786,300*l*. . . .	23,589	0	0
Balance of unappropriated profits	56,007	16	8
	97,515	4	8
Cr.			
Balance of unappropriated profits 31st December, 1840	46,215	3	11
Net profits of the year 1841, after defraying the total expense of management, and making provision for all bad and doubtful debts	51,300	0	9
	97,515	4	8
1842, Jan. 1.			
Balance of unappropriated profits brought down	56,007	16	8

The popularity and success of the London and Westminster Bank brought a competitor into the field in 1837, when the London Joint-Stock was advertized, and soon after began business. The nominal capital of this company is three millions, in 60,000 shares of 50*l*. each; 58,070 of these have been issued, and two calls of 5*l*. having been paid upon them, the actual capital is 589,700*l*. When

Hammersley's failed, the London Joint-Stock Bank took their premises in Pall Mall, and established in them a west end branch. At the ninth half-yearly meeting, held January 12th, 1842, the assets and liabilities, up to December, 1841, appeared to be—

Dr.	£.	*s.*	*d.*
To capital paid up, *viz.*, 58,970 shares, at 10*l.* each	589,700	0	0
Amount due by the Bank . .	1,403,188	18	11
Amount of the guarantee fund, 30th June, 1841	72,412	19	10
Six months' interest thereon, at three per cent. per annum . .	1,086	3	11
Amount carried to profit and loss account	43,660	2	2
	2,110,048	4	10

Cr.			
By exchequer bills, government stock, and India bonds . . .	171,417	11	10
Bills discounted, loans, and cash	1,902,755	13	0
Building, furniture, &c., in Princes-street	24,000	0	0
Ditto, ditto, in Pall Mall . . .	11,875	0	0
	2,110,048	4	10

The Union Bank of London, which started in 1839, has a nominal capital of 3,000,000*l.* sterling, in 60,000 shares of 50*l.* each; 42,280 of these shares (on each of which 10*l.* has been paid, making the ready-money capital 422,800*l.*) are in the hands of 730 proprietors. It has three establishments,—a head office in Moorgate-street, and two branches, one in Argyle-place and the other in Pall Mall East, taken when the Metropolitan Bank withdrew from business. At the general meeting held July 12th, 1841, the affairs of the Bank[6] appeared to be—

LIABILITIES.

Dr.	£.	*s.*	*d.*
Paid up capital, 10*l.* per share, on 42,270 shares	422,700	0	0

[6] About the best thing a joint-stock Bank can have is a good manager, and perhaps the most valuable talent he can possess is the faculty of judging, when a bill is offered to him for discount, whether it is legitimate or not; that is to say, whether it represents a *bonâ fide* transaction between the parties to it. A friend of mine, a bill-broker in the City, tells me, that of all the men he has met in the course of business, the general manager of the Union Bank possesses this talent in the most extraordinary perfection. The moment a London bill is shown him, he can tell whether a transaction to its amount can have properly passed between the parties; and will give off hand the most minute and extraordinarily correct information regarding the means and credit of the drawer, accepter, and endorsers.

	£.	s.	d.
Due by the Bank on current accounts, deposit receipts, (including interest accrued,) and for bills at six months' date . . .	503,550	5	8
Reserved fund, invested in three per cent. consols., as per contra	2,032	13	0
	928,283	18	8
Surplus profit . .	24,573	3	8
	952,856	2	4

ASSETS.

Cr.

Cash in the Bank, in the Bank of England, loans, exchequer bills, and bills discounted	919,032	14	0
2,213*l.* 4*s.* 11*d.* three per cent. consols. (reserved fund) . . .	2,032	13	0
Bank premises, including freehold building in Argyle-place, and purchase of premises, 4, Pall Mall East	15,290	15	4
Preliminary expenses	16,500	0	0
	952,856	2	4

APPROPRIATION OF THE SURPLUS.

	£.	s.	d.
Dividend five per cent. on paid-up capital, viz.:			
Twelve months on 211,350*l.*			
Six months on . 211,350*l.*	15,851	5	0
Set apart as an addition to the reserved fund	2,000	0	0
——— proportion of preliminary expenses	500	0	0
Undivided profit—carried to profit and loss, new account for bad debts, and rebate of interest on bills not yet due	6,221	18	8
	24,573	3	8
Profit, as above, after deducting all expenses paid or due, and interest (7555*l.* 11*s.* 1*d.*) allowed to customers on their deposits and current accounts .	24,573	3	8

The Commercial Bank of London is the last of the London joint-stock Banks that came into the field. It differs in point of constitution from its competitors in having its shares of so large an

amount as 1000*l.* each. When Messrs. Wright & Co. failed, the Commercial Bank purchased the house in Henrietta-steet, Covent Garden, and being joined by several new trustees and directors, connexions of the extinct firm, added a West-end branch to its establishment in the city.

By the annexed account laid before the general meeting of the shareholders, July 19, 1841, it will be seen that, after deducting current expenses, and bad and doubtful debts, a balance of 5,658*l.* 2*s.* 7*d.* was left at the disposal of the meeting, from which the directors proposed to declare a dividend of four per cent. on the paid-up capital, to be calculated from the opening of the Bank, and from the day of the payment of the respective calls. This amounted to 2684*l.* 14*s.* 3*d.*, leaving a balance for rebate of interest upon bills not due, and to commence the formation of a guarantee fund of 2,973*l.* 8*s.* 4*d.*

BALANCE SHEET.

Dr.

	£.	*s.*	*d.*
Subscribed capital . . 400,000*l.*			
Paid-up ditto	80,000	0	0
Balances due to customers of the Bank	168,977	19	5

	£.	s.	d.
Balance carried down after paying current expenses and deducting bad and doubtful debts, being profit	5,658	2	7
	254,636	2	0

Cr.

Cash in hand and government securities	85,566	16	1
Bills discounted, loans to customers on securities, &c. . . .	162,413	6	0
Preliminary expenses	6,655	19	11
	254,636	2	0

Dividend at four per cent. from the opening of the Bank . .	2,684	14	3
Vote to directors	1,000	0	0
Balance to profit and loss new account for rebate of interest on bills not due, and to commence a guarantee fund . .	1,973	8	4
	5,658	2	7
Balance, profit, and loss brought down	5,658	2	7

Account of the Aggregate Amount of all the Notes of Private and Joint Stock Banks in *England* and *Wales* in Circulation on the last day of every Week[7], from the passing of the Act 3 & 4 William IV, c. 83, to the 28th March 1840.

Date of Weeks.	Private Banks.		Joint Stock Banks.		Total.
	No. of Returns	Amount.	No. of Returns.	Amount.	
1833.		£.		£.	£.
August 31 ..	220	5,667,963	30	1,061,007	6,728,970
September 7	235	5,989,958	30	1,087,018	7,076,976
October 5 ..	246	6,646,129	31	1,197,346	7,843,475
November 2	249	6,874,275	32	1,242,777	8,117,052
December 7	250	6,355,129	34	1,203,610	7,558,739
1834.					
January 4..	258	6,507,120	36	1,224,056	7,731,176
February 1	259	6,638,682	39	1,294,231	7,932,913
March 1....	259	6,444,023	39	1,407,874	7,851,897
April 5	259	7,017,085	39	1,486,521	8,503,606
May 3......	259	7,004,781	43	1,519,641	8,524,422
June 7	263	6,526,314	44	1,475,909	8,002,223
July 5......	265	6,341,756	45	1,531,902	7,873,658
August 2 ..	265	6,369,863	46	1,513,623	7,883,486
September 6	266	6,463,578	48	1,607,420	8,070,998
October 4 ..	268	6,906,588	48	1,765,999	8,672,587
November 1	268	7,054,164	48	1,854,843	8,909,007
December 6	268	6,464,587	48	1,750,102	8,214,689

[7] The original return (Report 1840 ; Appendix, pp. 265-270 ; Report 1841 ; Appendix, pp. 281-282.) from which this account is abridged, is made up for the last day of every week—I have thought it enough to give here the circulation on the *last* day of the *first* week in each month.

Date of Weeks.	Private Banks.		Joint Stock Banks.		Total.
	No. of Returns.	Amount.	No. of Returns.	Amount.	
1835.		£.		£.	£.
January 3 ..	271	6,523,445	50	1,760,795	8,284,240
February 7	271	6,750,187	50	1,881,924	8,632,111
March 7....	271	6,554,401	50	1,915,386	8,469,787
April 4	270	6,839,456	50	2,015,794	8,855,250
May 2......	270	7,052,291	50	2,168,962	9,221,253
June 6	272	6,663,842	50	2,169,121	8,832,963
July 4......	275	6 500,008	50	2,108,105	8,608,113
August 1 ..	275	6,544,808	50	2,110,392	8,655,200
September 5	276	6,413,353	52	2,130,176	8,543,529
October 3 ..	276	6,797,961	52	2,299,843	9,097,804
November 7	276	6,970,255	52	2,415,352	9,385,607
December 5	276	6,608,850	53	2,354,200	8,963,050
1836.					
January 2 ..	276	6,619,151	56	2,335,694	8,954,845
February 6	277	6,914,329	56	2,608,253	9,522,582
March 5....	277	6,819,975	58	2,794,322	9,614,297
April 2	278	7,277,905	59	3,000,846	10,278,751
May 7	279	7,359,199	59	3,224,984	10,584,183
June 4	281	6,772,042	63	3,130,530	9,902,572
July 2......	281	6,658,109	73	3,253,224	9,911,333
August 6 ..	282	6,701,142	75	3,510,969	10,212,111
September 3	282	6,579,598	77	3,612,624	10,192,222
October 1 ..	281	6,810,934	78	3,866,380	10,677,314
November 5	281	7,022,495	84	4,093,460	11,115,955
December 3	281	6,700,680	84	3,774,374	10,475,054
1837.					
January 7 ..	281	6,772,002	84	3,629,092	10,401,094
February 4	281	6,838,711	84	3,636,159	10,474,870
March 4....	281	6,551,451	83	3,568,403	10,119,854
April 1	281	6,856,653	83	3,705,310	10,561,963
May 6......	283	6,922,041	83	3,721,582	10,643,623
June 3	283	6,466 058	83	3,510,523	9,976,581
July 1	283	6,202,125	83	3,355,703	9,557,828
August 5 ..	283	6,210,379	85	3,356,367	9,566,746
September 2	284	6,240,719	86	3,439,453	9,680,172

Date of Weeks.	Private Banks.		Joint Stock Banks.		Total.
	No. of Returns.	Amount.	No. of Returns.	Amount.	
1837.		£.		£.	£.
October 7 ..	284	6,820,951	86	3,878,902	10,699,853
November 4	284	6,864,925	87	3,940,748	10,805,673
December 2	284	6,452,399	88	3,705,302	10,157,701
1838.					
January 6 ..	287	6,587,154	88	3,753,874	10,341,028
February 3	287	6,692,149	88	3,812,376	10,504,525
March 3....	288	6,564,012	88	3,864,637	10,428,649
April 7	288	7,087,154	88	4,301,350	11,388,504
May 5......	288	7,224,607	88	4,442,554	11,667,161
June 2	288	6,890,126	88	4,315,839	11,205,965
July 7	287	6,778,594	88	4,268,890	11,047,484
August 4 ..	287	6,717,001	88	4,208,928	10,925,929
September 1	287	6,672,906	88	4,207,958	10,880,864
October 6 ..	286	7,103,192	88	4,587,571	11,690,763
November 3	286	7,347,362	88	4,732,763	12,080,125
December 1	286	7,113,915	88	4,529,068	11,642,983
1839.					
January 5 ..	288	7,374,947	88	4,547,945	11,922,892
February 2	288	7,479,656	88	4,560,061	12,039,717
March 2....	288	7,273,164	88	4,571,060	11,844,224
April 6	288	7,689,795	89	4,839,408	12,529,203
May 4	288	7,748,524	90	4,902,757	12,651,281
June 1	288	7,212,658	90	4,508,055	11,720,713
July 6	288	6,946,327	90	4,298,203	11,244,530
August 3 ..	288	6,737,356	90	4,131,718	10,869,074
September 7	288	6,645,097	90	4,073,928	10,719,025
October 5 ..	288	7,258,845	90	4,367,841	11,626,686
November 2	288	7,391,440	91	4,437,973	11,829,413
December 7	288	6,795,663	91	4,036,638	10,832,301
1840.					
January 4 ..	281	6,552,621	90	3,896,538	10,449,159
February 1	280	6,605,147	91	3,931,991	10,537,138

Date of Weeks.	Private Banks.		Joint Stock Banks.		Total.
	No. of Returns.	Amount.	No. of Returns.	Amount.	
1840.		£.		£.	£.
March 7....	280	6,354,570	91	3,897,258	10,251,828
April 4	287	6,996,195	92	4,148,317	11,144,512
May 2	287	7,221,242	92	4,268,085	11,489,327
June 6	288	6,685,347	93	4,071,835	10,757,182
July 4	288	6,352,248	93	3,777,693	10,129,941
August 1 ..	289	6,291,093	93	3,576,200	9,867,293
September 5	289	6,207,656	93	3,594,184	9,801,840
October 3 ..	289	6,706,135	93	3,911,915	10,618,050
November 7	290	6,716,806	93	3,921,805	10,638,611
December 5	290	6,251,688	94	3,626,401	9,878,089
1841.					
January 2 ..	287	6,130,551	91	3,514,170	9,644,721
February 6	287	6,256,530	91	3,592,332	9,848,862
March 6 ..	287	6,223,647	91	3,656,352	9,879,999
April 3	287	6,600,967	91	3,860,119	10,461,086
May 1	287	6,641,808	91	3,945,429	10,587,237
June 5	287	6,061,945	91	3,619,203	9,681,148

N.B. These two sets of official returns, one weekly and the other quarterly, have been published by the Stamp Office, and printed by order of the House of Commons. They differ in amount as much as two millions, which has been ascribed either to the failure of certain Banks, to their having joined other companies, or to their inability to comply with the directions of the committee.

CHAPTER VIII.

Banking free in Scotland, not so in America—Failures rare amongst Scotch Banks, and profits considerable—Their superiority over English Banks—Their number—Their small circulation—Statistics illustrative of—Their cash—Credits and clearances—Account of the Bank of Scotland.

SCOTLAND is about the only country, in which it can with any propriety be said that free banking prevails; and it tells much in favour of the system, that in no other country has Banking entailed so few losses, or conferred so many benefits upon the community. We constantly in disquisitions upon Banking, hear men talk of the free trade in Banking existing in the United States of America. Nothing can be more common, particularly in the House of Commons, and nothing more incorrect than averments of this kind. Banking is by no means free in America. No man or body of men can issue a note in any part of that republic without

a charter[1] from the state in which the Bank is to be located, and such charter always contains a clause of limited responsibility. These conditions are incompatible with free, and not very favourable to good Banking—they are almost sure to lead to favouritism, partizanship, improvidence, and loss. In Scotland there is nothing of this kind: all Banks[2] in that country are upon an equal footing; no monopoly, or exclusive privileges, no limitation of partners are known amongst them, and it is highly to the praise of the plan and system upon which they have been founded and are conducted, that failures are rare in the extreme amongst them, while considerable profits have been derived from

[1] 5419. Are any but chartered Banks allowed to issue their own notes?—I believe none but chartered Banks, with the exception of a single Bank by Mr. Girard, a person of very high character and wealth, who has recently died.

5420. Are they prevented by law from issuing?—Yes, I understand they are prevented by law.—*Commons' Report, Bank of England Charter,* etc. 1832.—*Evidence of Mr. T. Tooke.*

[2] So little of legislative interference has there been with regard to the monetary system of Scotland, that "the issue of promissory notes, payable to bearer on demand, for a less sum than twenty shillings, has been at all times permitted by law, nor has any Act been passed limiting the period for which such issue shall continue legal in that country. In England the issue of promissory notes for a less sum than five pounds was prohibited by law from the year 1777 to the period of the Bank restriction.—*Report, Commons' Committee,* 1826.

their operations. In 1793 and 1825, when so many English Banks were carried away, not a single Scotch Bank stopped.

To my mind it is the system here that is principally meritorious. I will allow credit for the remark that points to the habits of the people—to their industry, economy, and perseverance; I will admit that virtues of this description will work their way in the face of great difficulties, and cover a number of imperfections. I am also prepared to allow that the Scotch Banks have been managed with great skill and acuteness, and that there are peculiar facilities afforded by the Scotch law for reaching the property of debtors[3]; but after giving due weight to these things, separately, I cannot, seeing a marked and uniform difference between the results of Banking in Scotland and in England—

[3] A creditor in Scotland is empowered to attach the real and heritable, as well as the personal estate of his debtor, for payment of personal debts, amongst which may be classed, debts due by bills and promissory notes, and recourse may be had, for the purpose of procuring payment, to each description of property at the same time. Execution is not confined to the real property of a debtor merely during his life, but proceeds with equal effect upon the property after his decease . . . No purchase of an estate is secure until the seisine (that is the instrument certifying that actual delivery has been given) is put on record, nor is any mortgage effectual until the deed is in like manner recorded. These records are accessible at all times to all persons.

and noting concurrently certain essential differences between the two systems, I cannot, I say, but ascribe the superior advantages of the one over the other, in a great measure to a difference in the systems themselves.

There is I believe but one Bank in Scotland, that of Alexander Allan and Co., which is not a Bank of issue. According to the Commons' report on Banks of issue in 1841, there were then twenty-nine Banks of issue in Scotland, making weekly returns of their circulation to the Stamp Office, pursuant to the statute. But two of these, Sir W. Forbes, and the Glasgow Union, have become a united company with two establishments. In 1825 the number was 32. This summary, however, does not sufficiently indicate the fluctuations, or rather, the degree of speculation that has prevailed in Scotland in matters of Banking. It appears by the evidence given by Mr. Kennedy, manager of the Ayrshire Bank, to the Commons' Committee of the same year, that five Banks had been consolidated with others during the interval named, and eight had become extinct;—

The Dundee Commercial, coalesced with the Eastern Bank; the Paisley Banking Company, with the British Linen Company; the Paisley

Union with the Glasgow Union ; and the Thistle, with the Glasgow Union.

The Banks that became extinct were, The Commercial Company of Aberdeen, New Bank of Dundee, Exchange and Deposit Bank, (Maberley's,) Ramsay, Bonner and Co, Falkirk Banking Company, Perth Union, Fife Banking Company, and Sterling Bank. Mr. Kennedy said that no loss had accrued from any of these, except the Falkirk and Sterling Banks—but this must be a mistake. Maberley's Exchange and Deposit Bank failed for a large amount, and is said to have paid only 3*s*. 6*d*. in the pound.

The names of the different Banks, and the places at which their head offices are situated are as follow:

Edinburgh—Bank of Scotland.
— Royal Bank of Scotland.
— British Linen Company.
— Commercial Bank of Scotland.
— National Bank of Scotland.
— Sir William Forbes & Co.
— Edinburgh and Leith Bank.
Aberdeen — Aberdeen Banking Company.
— Aberdeen Town and Country Banking Company.

Aberdeen—North of Scotland Banking Company.
Arbroath — Arbroath Bank.
Ayr—Ayr Bank. (Hunter & Co.)
— Ayrshire Banking Company.
Dumfries—Southern Bank of Scotland.
Dundee—Dundee Banking Company.
— Dundee Union Bank.
— Eastern Bank of Scotland.
Glasgow—Glasgow and Ship Banking Company.
— Western Bank of Scotland.
— Glasgow Union Banking Company.
— Clydesdale Banking Company.
— City of Glasgow Banking Company.
Greenock—Greenock Bank.
— Renfrewshire Banking Company.
Inverness—Caledonian Banking Company.
Leith—Leith Banking Company.
Paisley—Paisley Commercial Banking Company.
Perth—Perth Banking Company.
— Central Bank of Scotland.

Of these twenty-nine Banks, twenty-three are joint-stock, and of the latter three are chartered. The whole have 368 branches amongst them, and the population of Scotland being two and a-half millions, it follows that there is a Bank for every

6000 persons. The shares of all the Banks sell at the rate of $143\frac{1}{3}$ on their paid up stock; those of the joint-stock companies at $150\frac{3}{8}$; the average dividend per annum on the former is $6\frac{1}{3}$ per cent.; upon the latter $6\frac{1}{20}$.*

But though the number of Banks has decreased in Scotland since 1825, the increase of Banking business has been considerable. It appeared in the Report of the Glasgow Chamber of Commerce for the past year, that "The first return of the circulation was made in Scotland in 1825. Every one knows the extraordinary advance which Scotland has made between that period and 1840. For instance, in the former of those years she manufactured 55,000 bales of cotton; in the latter 120,000 bales. In 1826, the produce of the iron furnaces was 33,500 tons; in 1840, about 250,000 tons. In 1826, the Banking capital of Scotland was 4,900,000*l.*; in 1840, it was about 10,000,000*l.*: yet, with all this progress in industry and wealth, the circulation of notes, which in 1825 varied from 3,400,000*l.* to 4,700,000*l.*, was in 1839 from 2,960,000*l.* to 3,670,000*l.*; and in the first three months of 1840, 2,940,000*l.*"

* Appendix, p. 303. Commons' Report, 1841.

Mr. Kennedy considers that there are not more Banks at the present moment in Scotland than are necessary, and although the profits are kept very low by competition, that there still is room for all. In comparison with the increase of the Banking establishments, there is a diminution in the amount of notes circulated. Free competition, and the multiplication of Banks and branches, have, in his opinion, a tendency to diminish the amount of notes in circulation.

Here then is another curious feature in the case. We have to admire the long-continued and safe note-circulation of Scotland, compared with the heedless irregularities and destructive insecurity of the currency of England, and we have to wonder at the ease and simplicity with which a progressive commercial, manufacturing, and agricultural business is carried on, with what in England would be considered an extremely disproportioned circulating medium—one, moreover, which is almost wholly of paper; for so small is the quantity of gold in Scotland, that many a shopkeeper does not take a sovereign once in six weeks.

Mr. Crosbie, Manager of the National Bank of

Scotland has entered into some details upon this subject in his remarks on the Scottish system of Banking, which are not a little curious. That gentleman finds, upon referring to official returns and other documents of authority, that the Bank note circulation of England and Scotland from September 1833 to March 1840, both months included, stood respectively thus: —

	In England.	In Scotland.
	£.	£.
At the highest . .	31,503,000	3,122,000
At the lowest . .	20,381,000	2,765,000

The population by the census of 1831 was for England 13,900,000 and for Scotland 2,400,000; the amount of the rental for England was 34,330,000*l.*, for Scotland 4,850,000*l.*; the quantity of shipping amounted in England to 1,800,000 tons, in Scotland 500,000 tons; and the number of acres under tillage in England were 12,000,000, in Scotland 2,600,000.

From the preceding data it follows, that if the circulation of notes in Scotland had been on a par (in amount) with that in England, then the Scotch circulation should, in proportion, have been to its

	Highest.	Lowest.
	£.	£.
Population	5,300,000	5,200,000
Rental	4,400,000	3,800,000
Shipping.	8,900,000	7,200,000
Tillage	6,500,000	5,500,000

Whilst in fact the circulation of Scotland was only, during the same periods, at the highest 3,122,000*l*., lowest 2,765,000

These results unquestionably show a very limited amount of bank-note circulation in Scotland, and an extreme economy in the use of money.

Two practices are uniform in Scotch Banking, which have frequently been commended, the one as affording great accommodation to the people, the other as giving great stability to the Banks: I allude to the system of cash credits, and the clearing system observed by the Bankers. The former has been very well described in the Report of the Lords' Committee of 1826 on Scotch and Irish Banking. In copying it I shall only add, that it is a boast with Scotch Bankers, that many of their most successful agriculturists and wealthiest manufacturers have owed their prosperity to a cash credit. "There is also," say their lordships, "one

part of their system which is stated by all the witnesses (and, in the opinion of the Committee, very justly stated,) to have had the best effects upon the people of *Scotland*, and particularly upon the middling and poorer classes of society, in producing and encouraging habits of frugality and industry: the practice referred to is that of cash credits. Any person who applies to a Bank for a cash credit, is called upon to produce two or more competent sureties, who are jointly bound; and after a full inquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities, he is allowed to open a credit, and to draw upon the Bank for the whole of its amount, or for such part as his daily transactions may require. To the credit of the account he pays in such sums as he may not have occasion to use, and interest is charged or credited upon the daily balance, as the case may be. From the facility which these cash credits give to all the small transactions of the country, and from the opportunities which they afford to persons who begin business with little or no capital but their character, to employ profitably the minutest products of their industry, it cannot be doubted that the most important advantages are derived to the whole community. The

advantage to the Banks who give these cash credits arises from the call which they continually produce for the issue of their paper, and from the opportunity which they afford for the profitable employment of part of their deposits. The Banks are indeed so sensible that in order to make this part of their business advantageous and secure, it is necessary that their cash credits should (as they expressed it) be frequently acted upon, that they refuse to continue them unless this implied condition be fulfilled. The total amount of their cash credits is stated by one witness to be five millions, of which the average amount advanced by the Banks may be one-third.

"The expense of a bond for a cash credit of 500*l.* is 4*l.* stamp-duty, and a charge of 10*s.* 6*d.* per cent. for filling it up."

The Scotch Bankers' clearances are upon the plan of the clearing-house in London, with this important difference, that the former are made to regulate the currency of Scotland. That, as already observed, consists almost wholly of bank-notes.

The present stock of notes in the Banks, and circulation in the hands of the public in Scotland, being estimated at seven millions, of which, it ap-

pears, the proportion in small notes is three millions, it would require an import of gold of from two and a half to three millions to supplant them.

The circulation of small notes by the Bank of Scotland bears a proportion of twenty-six to every fifteen value of large, on an average of the last seven years. The stock on hand of small notes bears a proportion of six to every seventeen value of large. The total in stock and circulation of small notes bears a proportion of three to every four value of large.

The amount of notes exchanged per annum by the Banks in Scotland, is believed to be not under one hundred millions delivered, and one hundred millions received. The Bank of Scotland alone delivers ten millions, and receives in exchange as much. The system of exchanging notes was begun in 1752 by the Bank of Scotland and Royal Bank, under certain rules then agreed upon. A copy of the present regulations of the Banks for the exchange is given in the Commons' Report of 1841.

These regulations were settled by the principal Bankers at Edinburgh in 1835; they take place twice a week, on Tuesdays and Fridays, at Edinburgh; and for Glasgow, on Wednesdays and Saturdays. Payments are made in exchequer-bills,

Bank of England notes of the value of 100*l.* or upwards, or gold. Bank of England notes are only to be employed to pay the fractional parts of 1,000*l.* The amount of exchequer-bills, of 1,000*l.* each, to be kept in the circle, is fixed at 400,000*l.*, to be apportioned as follows:—

Bank of Scotland . . .	63,000
Royal Bank	62,000
British Linen Company .	50,000
Sir W. Forbes and Co. .	50,000
Commercial Bank . . .	50,000
National Bank	50,000
Leith Bank . . . . ,	15,000
Glasgow Union Bank . .	35,000
Western Bank	25,000

Each bank is so to arrange its transactions as to maintain its quota in the circle at all times, and the amount of exchequer-bills held by each Bank is to be stated every exchange day in the clearing room; when the exchequer-bills accumulate, it is imperative on the party holding the greatest amount to sell to the party in want of them; having regard to their original quota. Interest for eight days, equal to one shilling per cent. is to be

paid upon the purchase and sale of exchequer-bills, by a draft on London at five days date, the purchaser paying the stamp; if the exchequer-bills accumulate in the hands of a party so as to exceed their original quota by more than one-third, they have the power to call upon the party holding the smallest amount to purchase the excess: but it is not imperative on any party to take more than is required to bring up their stock to two-thirds of the original amount. The exchanges are to be made at the Bank of Scotland and Royal Bank alternately; the statement of balances after they are struck to be sent to the respective Banks, from the clearing-room by their clerks; and the clerks of the Banks' creditors, to be in waiting to receive the amount due to them at twelve o'clock. The British linen company send to the Bank of Scotland and Royal Bank alternately a statement of their exchange transactions, signed by the manager. The clerk brings over exchequer-bills, Bank of England notes or gold, for payment of any balance that may be due by them, and receives exchequer-bills, Bank of England notes or gold for such balances as may be due to them on the day's transactions: parties to the agreement have the power of withdrawing from it, and receiving back

their exchequer-bills at par, upon three months' notice

There is a full account of the Bank of Scotland in the Appendix to the Commons' Report on Banks of issue, 1841, from which a fair general view of these Banks is to be gathered—The Bank of Scotland was established in 1695, by an Act of the Scottish Parliament, William, parl. 2. 8. 5, which has been continued and regulated by subsequent acts of the legislature of the United Kingdom. The subscribers are a body corporate and politic, with perpetual succession, by the name of the Governor and Company of the Bank of Scotland. Their original capital was 1,200,000*l*. scots., of which only 10 per cent., or 10,000*l*., was called up and employed until 1720. In 1744 its capital was increased to 200,000*l*. The 44 Geo. 3. c. 23, the last act passed respecting the company, authorized an increase of capital to the amount of 1,500,000*l*. sterling, of which one million sterling has been paid up. The responsibility of the partners is limited to the amount of their shares, upon which the dividend for 1841 was six per cent.

The management of the Bank is in a governor, deputy governor, twelve ordinary and twelve extraordinary directors, elected at the annual meeting of

the proprietors, and of whom seven are a quorum: every 250*l.* stock gives one vote, but no person can have more than twenty votes. The extraordinary directors seldom act. The ordinary directors divide themselves into three committees of four each, who act in weekly rotation. These committees meet daily, Saturdays and Sundays excepted; the directors meet once a week and review the proceedings of the committee.

The directors appoint the treasurer, secretary, and officers, but a general meeting of proprietors has power to remove them.

Branches were first attempted by the Bank of Scotland in 1696, when agents were appointed at London, Glasgow, Aberdeen, Dundee, and Montrose; but the expenses of these establishments far exceeded their profits, and they were soon discontinued. In 1731 the experiment was repeated, but though tried for a term of two years, was abandoned as a failure. In 1774 the Bank began "to lend out money upon good security" at Dumfries and Kelso, a practice which it shortly after followed up at Kilmarnock, Ayr, Stirling, Aberdeen, &c., and thus gradually established itself in the provinces.

The agents at these branches are sworn officers,

who give security, and to make them guarded in their advances, are bound for a certain proportion of the losses that may arise by discounts. They furnish weekly to the head office a statement and abstract of their whole transactions, certifying that the cash has been examined and counted, and is in the Bank; giving the sum of the bill obligations of every party whose drafts, endorsements, or acceptances, distinguishing each, are above 500*l.*; and reporting specially, applications for discount accounts when the amount exceeds 500*l.* and all past-due bills.

The Bank of Scotland has been a Bank of issue since its commencement, but had no 1*l.* notes until 1704. It first received money on deposit in 1707, and at that time allowed no interest for such lodgements. In 1729 money began to be received on current account on the treasurer's bill or bond, for which six per cent. was given. In 1731 interest was fixed on deposits for twelve months, at four per cent., and on those for six months, at three per cent. In 1762 notes payable to order by the treasurer were used as regular instruments of business. In 1810 deposit receipts were commenced, and have since continued in use.

The rate of discount on bills at the Bank of

Scotland was, in 1699, eight per cent. for sums above fifty pounds, and twelve per cent. for sums under, with an abatement of two per cent. if regularly paid every half-year. In 1706 it was six per cent., in 1715, five per cent. Until 1762 bills appear to have been used for loans from the Bank, and, though drawn generally at sixty days sight, not to have been paid for months and years after they became due. After 1762 they began to be discounted, and paid in the usual manner.

The Bank of Scotland began to give cash credits in 1729.

This Bank, with others, remits the public revenue, for which it gives security by transferring so much stock into the books of the Bank of England, for each board of taxes, into the names for the time being of the chairman of such board, and the governor of the Bank.

Scotch Banking is so uniform, that a word or two more upon the other Banks will suffice for all purposes of general information. The Royal Bank was formed in 1727; its original capital of 151,000*l.* is now 1,500,000*l.* The Royal Bank has a charter, as also has the British Linen Company, which was projected for the manufacture of linen, a speculation soon abandoned. It is now,

and has been for a length of time, a Bank only. Its capital is 500,000*l*. The Royal Bank has only one, and the British Linen Company twenty-seven branches. These and all the other Scotch Banks receive on interest, deposits of sums as low as 10*l*. The rate of interest of course varies with the circumstances of the times. It has been as high as five, and as low as two and a-half per cent. In 1841 it was three and a-half per cent. In 1831 the total amount of deposits in the Scotch Banks was estimated at the sum of twenty-four millions sterling, and more than half of the deposits in five banks were ascertained to be in sums of from 10*l*. to 200*l*.

Such an accumulation of deposits is of itself perhaps the best evidence that can be given of the excellence of Banking in Scotland. Nevertheless, there are persons to be met with every now and then who sneer at it, and say flippantly enough, that there is nothing in it. According to these authorities, it is fit for Scotchmen, and Scotchmen only: according to others, the system is occasionally prejudicial to the currency of England. Except in the way of contrast, and on account of the satire so conveyed, I see nothing for Englishmen to find fault with in Scotch Banking. The

evils with which the currency of England has been so rife for many years have been assigned to a variety of causes; but to none, in my judgment, with less reason than to Banking in Scotland.

For myself, I can only aver in closing this short and imperfect account, that the good the Scotch Banks have done, and the wealth they have produced, appear to me to show an admirable system, worthy of all praise and close imitation.

CHAPTER IX.

Banking in Ireland—Its mischief and oppression—Divided into three periods—History of each—Banking before the establishment of the Bank of Ireland—Thence to the introduction of joint-stock Banks—Subsequent history—The Bank of Ireland a close monopoly, like the Bank of England—Its history and profits—Its excessive circulation prompts the private Banks to increased issues—They all fail—Particulars of these misfortunes—Improvements effected by joint-stock Banks—Constitution, assets, liabilities, dividends, &c. of the Hibernian, Provincial, National, Agricultural, and Belfast Banks.

Banking in Ireland, like most things Irish, was formerly mixed up with no light or inconsiderable portion of mischief and oppression, but has of late received its fair share of the improvements which the liberal influence of the age, has so properly extended to many of the settled institutions of that valuable section of the United Kingdom.

The Irish Banks now carrying on business, are the Bank of Ireland; the Hibernian and Royal Banks; the Provincial and National Banks of

Ireland; all joint-stock companies; as are also the Northern, Belfast, and Ulster Banking companies. The private Banks are those of Latouche and Co., Balls and Co., and Boyle, Low, and Pim, all three in Dublin, and the second a Bank of issue with a small circulation [1].

The facts of the case divide the history of Banking in Ireland into three distinct periods, namely, first the progress of Banking before 1783, when the Bank of Ireland was chartered; secondly, from 1783 to 1824, when joint-stock Banks were introduced; and, thirdly, the period between 1824 and the present time. By recapitulating the principal events of these three intervals, we shall be able to contrast the effects of one state of things with another, and fairly decide how far there are grounds for maintaining, that the trade and commerce of Ireland have improved under one or the other.

The literary history of the monetary affairs of Ireland, may be held to begin with Wood's halfpence, and the celebrated Draper's *Letters*. Banks arise where commerce flourishes and money accu-

[1] I have taken this chapter from a pamphlet entitled "Remarks on the renewal of the Bank of Ireland charter, with a sketch of the history of Banking in Ireland, by George Lewis Smyth; London, H. Hooper."

mulates. The inferiority of Ireland, notwithstanding her large resources, in point of commerce and wealth, at the beginning of the last century, is shown in nothing more decidedly than the simple fact, that there was nothing deserving the name of Banking business at that time in the country. Nor was the little that was then done, well done. Laurence, who published in 1682, his odd compound of political economy and religious controversy, entitled, *The Interest of Ireland, in its Trade and Wealth, stated*, complains of the number of single Banks, or exchangers, who had failed within a few years, and estimates the damage they had caused at 50,000*l*.

The idea of a public Bank in Ireland was suggested by the commercial distress of the year 1720. The project formed for the purpose is deserving of passing notice, as an evidence of the degree of intelligence prevailing in the country at that period on matters of political economy, and also because the account given of it by Sir J. Sinclair in his history of the revenue, and Mr. Wakefield in his political survey, are slight and incorrect. Its first patrons were the Earl of Abercorn, Lord Boyn, Sir R. Gore, Bart. and others, who petitioned the crown for a charter in 1720. They proposed,

by reason of the great scarcity of silver coin, to raise, on the security of their estates, a joint-stock of 500,000*l*. which as the best means of attaining solidity, they engaged to invest in land, and supply the public with commercial paper at no higher price than five per cent. The application was favourably received and recommended to the notice of Parliament in the Duke of Bolton's speech from the throne in 1721. The Commons affirmed the proposal, but took care to show that they were not prepared to enter upon any loose, or ill-digested legislation. They expressly stated, that, unless the foundation of the Bank was solid and good, and under proper regulations and restrictions, it would not contribute to restore the credit, or support the trade of the country. Leave was given to bring in the heads of a bill, which proceeded as far as a Committee, in which it was lost upon a close division [2].

This failure has been hastily ascribed, by some English writers [3], to the ignorance of the majority of the Irish house of Commons. But there are reasons for believing that the Commons of Ireland

[2] Journals of Commons of Ireland, 1721.

[3] Sinclair, *Hist. Rev.* vol. iii.; Wakefield, *Political Survey of Ireland*, vol. ii.

were not so very ignorant of the subject, or of the wants of their fellow-countrymen, as has been represented. The truth appears to be, that the project of a public Bank was no sooner broached than it was seized upon—as every other plan for the improvement of that country has, from that day to this, been seized upon, and destroyed—by place-hunters and jobbers, as their proper game; and was ultimately lost by the corruption which their ill-disguised intrigues revealed very early in the proceedings. Lord Abercorn's petition for a Charter was met by a counter application from Lord Forbes and others, who desired to erect a Bank with a million capital. The placemen and Government retainers, having a contest before them, began to talk of a consideration for the privilege, and were offered 50,000*l.* by Lord Forbes's party, who also professed their readiness to make their Bank generally useful to Government. Lord Abercorn and his friends, on the other hand, refused to give any money, or to devote the Bank they sought to establish to the convenience of Government, sensibly asserting, in express terms, that it was the proper business of Parliament to provide money, as there might be occasion, for the public service; but that individuals offering to perform such an office

cannot act consistently with the interests of the nation[4]. The two applications were referred to the Lords Justices, who made a report to the Lord Lieutenant distinctly in favour of the Abercorn project. A commission was then issued under the great seal for receiving voluntary subscriptions to establish a Bank, to which, upon the amount being raised, a Charter was to be granted; but, in the mean time, the house of Commons had taken alarm at the plotting and corruption by which the scheme had already been tainted: they feared, and not without reason, that the circumstances of the country did not admit of the establishment of a Bank which would discharge its functions independently, and they naturally dreaded the consequences which must ensue, if the circulating medium should come to be at the disposal of the minister of the day. Under these impressions they rejected the Bank bill, with some strong declarations of dissatisfaction and alarm.

The session of 1722, however, did not close without an Act for securing the public from some of the injuries produced by the defective Banking

[4] Memorial to Lords Justices, Appendix c. c. Journals to House of Commons, 1721.

business of the period. The 8th Geo. I. c. 14, provided that Bankers' unpaid notes should bear interest; that no Banker should fraudulently alienate his property; and that real estates, left at his death, should be available for the payment of his notes. This appears to have been the second general enactment connected with Banking in Ireland, the first having been the 8th Anne, c. 11, passed in 1709, and entitled, "An Act for the better payment of inland bills of exchange, and making promissory notes more obligatory." From that law it would seem that mercantile paper was then in the lowest state in Ireland, for power was given by it to protest *inland*, as well as foreign bills and promissory notes for more than five pounds, upon non-acceptance or non-payment; and the same law was, for the first time, applied to promissory notes and Bank notes, which were declared legally transferable, and the usual right of action given in cases of their non-payment. The persons principally engaged in Banking, at this juncture, would seem to have been goldsmiths, merchants, and general traders, and the business to have consisted in little more than the deposit of money, for safe keeping, with persons who held a public office for that purpose, and who gave, for

moneys so lodged, receipts or promissory notes, payable at a certain date.

The efforts made to better the commerce and currency of Ireland, having been limited to the single act of Parliament already cited, we are naturally prepared to meet with renewed complaints of the scarcity of silver, and the hindrance given by it to manufacturers and retail trade. These continued to prevail, with more or less strength and frequency, until 1735, when the interference of Government was again emphatically called for, and not without reason; for such, we are assured, was the dearth of coin, that a single piece was traced at one market, in the north of Ireland, serving the purpose of five successive bargains, and suffering a depreciation of sixpence on each. After the publication of various tracts, and much discussion, during which it was remarked, as rather curious, that the Bankers took no part in the argument, Government promised relief, and, after still further hesitating and delaying, produced, in 1737, a new coinage for Ireland, and settled a scheme of exchange, by which the value of the coin circulating in the country was fixed at a certain rate, which made the English guinea of the value of 1*l.* 2*s.* 9*d.*; the English shilling, 1*s.* 1*d.*;

and various current foreign coins, in gold and silver, of proportionate amounts, or what were pronounced such, for there were not wanting disputants to maintain that some foreign coins, particularly Spanish and Portuguese, were unfairly depreciated.

If we bear in mind that this was a period during which every one was free to issue not only Bank notes, but copper and silver coin ; that there was no bankrupt law ; and that when a Bank failed, the slow and uncertain process of a special act of Parliament was required to wind up its affairs, in case the improvident establishment left a wreck behind worth the cost of salvage ; we shall probably be surprised to find that, proceeding from the year 1720, as our starting point, we have no record of a Bank breaking until 1732, when Meade and Curtis stopped payment, and the 5 Geo. II. c. 23, passed for the relief of their creditors. Two years afterwards, Burton and Falkener, established in 1720, failed, and gave occasion for the 7 Geo. II. c. 26. For some twenty years or so longer, the tide of monetary affairs flowed muddily on without any extraordinary shock or violence ; but in 1753, undoubted signs of a coming storm became discernible. Exchange fell three per cent. below par, and the house of Commons instituted inquiries

which led to a declaration upon its part, that the paper in circulation far exceeded the capital of those who issued it, and also the just proportion which the quantity current ought to bear to the national specie. Importing merchants, it was asserted, obtained credit without having property, and by forcing trade, increased the receipts of the treasury, while they were really diminishing the wealth of the kingdom. This exposure doubtless led to the heavy bankruptcies that quickly followed. In March 1754, Dillon and Farrell's Bank closed; during the same month of the year following, Wilcox and Dawson failed; and the partners in the firm of Lennox and French absconded. Distinct acts of Parliament passed for the settlement of these reverses, but public and private credit continued to droop until 1760, when both fell prostrate, and the whole country was reduced to one level ruin. Three Banks failed in Dublin—Clement's, Dawson's, and Mitchell's—and three that remained solvent refused to discount a bill. All monetary transactions ceased, and a dead stop was put to every description of business: ultimately only two Banks were left in Dublin, namely, Messrs. Latouche's, and Gleddowes', afterwards Newcomen's. Public meetings were held, Parlia-

ment was petitioned, and the decay of manufactures and the sunken credit of the nation were piteously set forth, and eloquently deplored. A Committee of Inquiry having been appointed, it was resolved, that the complainants had proved their case, and that the quantity of paper in circulation (in consequence of the bankruptcies, it is presumed) was not near sufficient for trade and manufactures. It was consequently proposed, and ultimately agreed, that Parliament should undertake to support the still subsisting Banks to the amount of 50,000*l.* each. Bankers' notes were also received, by virtue of a special proclamation, as cash, from the contractors to a loan which Government was then raising, and thus a temporary succour was extended to the general distress.

There was another panic in 1770, and the lord-lieutenant, nobility, principal gentry, and merchants found it necessary to come forward and publish a declaration, in which they pledged themselves to take the notes of Messrs. Latouche, Messrs. Gleddowes and Newcomen, Messrs. Findlay and Co., and Messrs. Dawson, Coates, and Lawless,—then the Bankers in Dublin [5]. During the same year a

[5] One Bank had started in 1758, and failed during the same year, after a butterfly existence of four months. And yet this

bankruptcy law was passed, for the first time, in Ireland. And thus closes all that the progress of Banking in that country offers for observation previous to the institution of the Bank of Ireland.

I now come to the second period of Banking in Ireland, commencing with the establishment of the Bank of Ireland,—a chartered monopoly closely resembling, in its constitution, powers, and privileges, the Bank of England, and vested with an exclusive range for its operations of fifty Irish miles—equal to sixty-five English—round Dublin. So long as Ireland had a separate government, a separate parliament, and a separate civil and financial administration, there might have been some show of reason assignable for the maintenance in that country of a favoured body like that of the Bank of Ireland corporation; but once the Union between England and Ireland took place, and there was a consolidation of the exchequers and public offices of the two countries, we are at a loss to discover sufficient grounds for continuing the immunities

was a Bank of great names, for its partners were the Right Hon. Anthony Malone, the Right Hon. Nathaniel Clements, and John Gore, Esq., whose practice was to give receipts for money deposited, payable seven days after demand, with interest, to commence three days after the date of the receipt, at the rate of tenpence a week for every 100*l*.

enjoyed by this Bank; immunities highly profitable, no doubt, to the share-holders, but by no means beneficial, in a corresponding degree, to the Irish people.

In the Commons' Report on Joint-stock Banks, 1837, Appendix, p. 124, there is an "Abstract of the Acts of Parliament relating to the Rights and Privileges of the Bank of Ireland." In this document we learn, that the charter was granted in 1782, pursuant to 21 and 22 Geo. III. c. 16, of the Irish Parliament, redeemable on the expiration of twelve months' notice, to be given after January, 1794, and on repayment of the sum advanced to Government under the Act, namely, 600,000*l.* Irish, being the original Bank capital. In 1791 the charter was extended or renewed, by the 31st Geo. III. c. 22, until the expiration of twelve months' notice, to be given after 1st January, 1816, and on repayment of the 600,000*l.* Irish, and all interest.

This Act authorized an increase of 400,000*l.* Irish to the Bank capital, by subscription; which was subscribed accordingly, but not advanced to Government. It also enacted, that in consideration of the power given to increase the Bank capital, the Bank should pay to Government a sum agreed on with the lord-lieutenant; and 60,000*l.*

Irish were accordingly paid in two instalments. The 37th Geo. III. c. 50, authorized the Bank in 1797 to increase its capital by subscription, in the further sum of 500,000*l*. Irish, which was advanced to Government. The 48th Geo. III. c. 103, increased the Bank capital, in 1808, 1,000,000*l*. Irish. 1,250,000*l*. Irish was then advanced to Government, and the charter was extended or renewed until the expiration of twelve months' notice, to be given after 1st January, 1837. By this Act the Bank consented to continue the management of the then public debt in Ireland, and of all future loans to be thenceforth made for the service of Ireland, *free of charge*, during the continuance of their charter. In 1821, the 1st and 2nd Geo. IV. c. 72, authorized a further increase of capital of 500,000*l*. Irish, making the whole 3,000,000*l*. Irish; and this 500,000*l*. Irish was advanced to Government. By this Act Bank of Ireland notes were agreed to be received in payment of the Government revenue; and the Bank consented to a restriction of its privileges, (previously secured, till 1838, by the Act of 1808,) so far as to permit Banking companies and copartnerships consisting of more than six persons in number, residing and having their houses of business at a greater distance than fifty miles from Dublin, to

issue notes, payable on demand, without that distance. And it was expressly enacted, that no further privilege should be granted to any copartnership or society of persons whatever, previous to the 1st of January, 1838, contrary to the provisions of the Bank Acts then in force, save the privilege to such copartnerships of suing and being sued in the name of a public officer, should Parliament think fit to grant such authority.

Two or three Acts have passed since the date of this return, for the purpose of postponing definitive legislation on the subject. The only provision in them claiming particular notice, was one which in 1841 reduced to three and a half per cent. per annum the high rates of interest so long received upon the capital advanced to Government, and left the charter to be dealt with concurrently with that of the Bank of England.

Upon the suspension of cash payments, the Bank of Ireland, like the Bank of England, manufactured money to an enormous extent. In 1797, when that license was made law, the circulation of the Bank of Ireland amounted to no more than 621,917*l.*; but in 1808 it attained 2,827,000*l.*, and proceeded, still rising rapidly in amount, until the average, in 1809, was 3,068,100*l.*; in 1813, 4,212,600*l.*; in

1821, 5,182,600*l*; and in 1825, 6,309,300*l*. The reader will not fail to observe, that the years 1810, 1820, and 1825, during which the average circulation was higher than at any preceding period, were years of panic and deep commercial distress. But however other persons may have suffered, the Irish Bank proprietors were in the uninterrupted enjoyment of good fortune. In 1797 their dividend was six and a half per cent.; and no sooner was the restriction from cash payments declared, than the copartners received a bonus of 125,000*l*., being twenty-five per cent. on the increase. In 1803 the dividend was seven and a half per cent., and the bonus 75,000*l*., being five per cent. on the capital; and a bonus thence continued to be given almost yearly, until 1815, when the dividend rose to ten per cent., at which rate it continued until 1830, when it declined to nine per cent.; and to eight per cent. in 1837.

It appears by the Commons' report of 1804 on the circulating paper of Ireland, that before the Bank of Ireland entered upon its unrestrained trade in paper money, in March, 1797[7], the exchange

[7] Report on the circulating paper, specie, current coin, and exchange of Ireland, pp. 7 and 8. Ordered to be printed, May and June, 1804; and reprinted, May, 1826.

was, and had for a long time previously been, in favour of Ireland.

The exchange began to rise in 1799, and the circulation of the Bank of Ireland was *concomitant*, and *extended* with it. Upon comparing the issues of the Bank of Ireland with the rates of exchange, a strong presumption arises of the connexion between an increased issue and a high exchange: for, in March, 1797, the paper of the Bank was between 600,000*l.* and 700,000*l.*; and exchange in Dublin, $5\frac{1}{2}$ to $6\frac{3}{4}$.

April, 1801, paper was . £2,266,000
and exchange rose from $11\frac{3}{4}$ to 13.

January 1, 1804, paper was . . 2,986,999
and exchange rose to 17 and 18.

This Committee hesitated to assert that the evidence before it *clearly* proved that this increase of Bank of Ireland paper facilitated or encouraged the increased issues from Private Banks. The members deemed it necessary, however, to call the attention of the House to some remarkable facts, which, as they observed, afforded some proof that both the cause and consequence really and truly were as had been suggested.

In the year ending March 25, 1800, the number of Bankers issuing notes in Ireland was . 11

3

January, 1801	23
„ 1802	29
„ 1803	30
„ 1804	40

Again, the number of notes paying duty, in the like periods, was,

	1½d.[8]	3d.	4d.
1800	148,112	198,361	104,248
1801	245,673	147,211	65,201
1802	941,894	196,108	95,600
1803	823,673	204,940	67,594
1804	1,110,217	256,801	90,265

The Committee indulged in no strained inference from this state of things, when it maintained that the high rate of exchange against Ireland at these periods was "a sufficient presumptive proof of the depreciation of paper; and that this depreciation was in itself also a strong presumptive proof of an over quantity of paper being in circulation."

If we estimate the total gains accruing to the Bank of Ireland, from the suspension of cash payments, upon the principle applied to the Bank of England, by the Lords' Committee in 1826, we shall find the result nearly as follows:—

Annual dividends as per returns to 1821	£4,736,085
Declared bonuses „ „	1,225,000

[8] The existing law required all notes under three guineas to be issued on a 1½*d.* stamp; under 10*l.*, on a 3*d.* stamp; under 50*l.*, on a 4*d.* stamp.

Surplus assets	,,	,,	1,214,800
Increased value of Shares		,,	4,185,000
Total gains on a capital of 3,000,000			11,361,650

The example set by the Bank of Ireland, in creating immense quantities of paper-money, prompted the private Banks to pursue the same reckless course. "These increased issues," says Sir H. Parnell, now Lord Congleton [6], "led to corresponding increased issues by the private Banks, of which the number was fifty in the year 1804. The consequence of this increase of paper was a great depreciation of it; the price of bullion and guineas rose to ten per cent. above the Mint price; and the exchange with London became as high as eighteen per cent., the par being eight and one-third. This unfavourable exchange was afterwards corrected; not by any reduction in the issues of the Bank of Ireland, but by the depreciation of the British currency in the year 1810, when the exchange between London and Dublin settled again at about par.

"The loss that Ireland has sustained by the failure of Banks may be described in a few words. It appears by the Report of the Committee on Irish Exchanges, in 1804, that there were at that time in Ireland fifty registered Banks; since that year

[6] Observations on Paper-Money.

a great many more have been established, but *the whole have failed* one after the other, involving the country from time to time in immense distress, with the following exceptions: first, a few that withdrew from business; secondly, four Banks in Dublin; thirdly, three at Belfast; and lastly, one at Mallow."

Even these few exceptions have been further diminished since the publication of the "Observations" from which this quotation has been taken. The Mallow Bank of Messrs. Delacour has failed; the four private Banks of Dublin have been reduced to two, namely, Messrs. Latouche's and Messrs. Ball's; while the three Belfast Banks have been converted into joint-stock enterprises, respectively named the Northern, the Ulster, and the Belfast Banking Companies.

In this extremity, and not before, the Government of Lord Liverpool determined to try the experiment of joint-stock Banks in Ireland, as well as in England; and the Bank of Ireland, upon being allowed to add half a million to its capital, parted with so much of its monopoly as enabled Banking Companies with more than six partners to carry on the business of Banking at a distance of fifty Irish miles from Dublin. This was effected by the 1st and 2nd Geo. IV. c. 72, upon which,

however, early doubts were raised, and legal opinions taken, which marred its practical utility for an interval. From what quarter, at whose instigation, and at whose cost these doubts were raised, canvassed, and enforced, it is hardly necessary to indicate. In the end it was successfully maintained, that every partner in an Irish joint-stock Bank ought to be a resident in Ireland; and thus the Irish were suddenly cut off from the co-operation of the English capitalists, without whose assistance they were themselves wholly unable to encounter the competition of the Bank of Ireland. So far, the Bank broke faith with Parliament and the public: it had obtained a certain boon, half a million of money, as the price of a fixed concession, and having secured its own share of the terms, it turned boldly round to pick holes in the Act of Parliament, by which the agreement was regulated, and sought to prevent the improvement which the national interests so urgently demanded. It took four years to effect a redress of this artful piece of injustice.

From the year 1783 to the year 1824, the terms of the monopoly enjoyed by the Bank of Ireland forbad the establishment of a second joint-stock Bank in Ireland; the Bank of Ireland had not

Dublin alone, with its circle of fifty miles, exclusively to itself, but it reigned paramount over the whole island also. Nevertheless, during that long series of years, it never once extended itself into the Provinces—it set up not a single branch Bank; it left the country entirely dependant upon the circulation of private Banks, although the great majority of those concerns were well known to possess no adequate means, and the failures that ultimately took place amongst them, entailed on the public, losses estimated at the amount of twenty millions sterling; and yet, during this long interval, in the presence of these heavy sufferings, the Bank of Ireland confined its operations to Dublin. But the moment the urgency of the circumstances invited others into the field—as soon as London capitalists published a prospectus, in which they promised to afford certain towns in the country parts of Ireland that accommodation which the Bank of Ireland had so long denied them, the Bank at once set up an opposition in those very towns, and resorted to every means within its reach to embarrass and defeat the new adventurers. It thus not only refused to do the good required, when it alone had the power, but it laboured to deter others from rendering it, even when the Legislature had specifically interfered for the pur-

pose. Such is the working of a National Bank chartered with exclusive privileges.

Previously to the year 1783, the standard grievances with all Irish writers on political economy, were two in number, that there were none but private Bankers in Ireland, who issued notes without restraint or responsibility; and that the disparity of exchanges with England involved ruinous losses to Irish commerce. To these causes, by common consent, were the great runs upon the Banks, and the failures of 1720, 1745, 1760, and 1770, ascribed. We have, therefore, during the first stage, the fixed producing causes, and the sum of the consequent evils, in four panics, during a term of sixty-three years, and the failure of some seven or eight Banks. In the second stage, comprising a term of forty years, we have the same complaints of excessive paper money, and still more adverse exchanges, and a series of panics which left, as already stated, only four Banks out of fifty, not bankrupt, or retired from business. Instead of mitigating, therefore, the monopoly of the Bank of Ireland increased and aggravated the mercantile convulsions of the country. Strange and improbable as the principal incidents in the history of Banking in Ireland must appear, antecedent to the chartering of the national establishment in 1783,

they are infinitely surpassed in wildness and inconsistency by the chance medley produced by subsequent events. Not only before the Bank was chartered, but even before the suspension of cash payments, the business of Banking in Ireland was principally confined to Dublin. There were not, in 1797, more than half-a-dozen Banks[9] in the South of Ireland, and none in the north or west; but after that year almost every place had its Bank, and every conceivable mode and device for circulating money were resorted to. For instance, Wexford, a small town, which, even in 1821, had a population of only 8,326 inhabitants, and a proportionately limited trade, had, between the years 1800 and 1804, no less than seven Banks. The fate of such commercial establishments will be conjectured at once:—five failed rather quickly, and one gave up business. Two new ones immediately started to fill the vacuum thus created, which soon after shared the fate of their predecessors. Of the whole number, only one, that of the Messrs. Redmond, conducted business with honour and profit. It was the earliest of the Wexford Banks, and about the last private Bank that existed in Ireland.

[9] Namely, three in Dublin, three in Cork, one in Clonmel, one in Limerick, and one in Waterford.—*Lords' Committee on Circulation, &c.* 1826, Evidence of J. Roche, Esq., p. 52.

New Ross, again, a smaller town than Wexford, and not more than twenty miles from it, had four Banks, only one of which was standing in 1812, and even that afterwards gave way. Similar instances, in abundance, are to be cited in various other places, but the repetition would be tiresome. The wild growth of these mushroom establishments has been already given in detail from the Commons' Report of 1804, which shows that eleven Banks, in 1800, had become twenty-three in 1801 ; twenty-nine, in 1802 ; thirty, in 1803 ; and fifty, in 1804. In 1812, Mr. Wakefield published his *Political Survey of Ireland*, and stated, that of the fifty Banks, in 1804, there then remained only nineteen extant. One adverse circumstance or other had swept away the rest. Notwithstanding this sharp warning, new speculators had rushed into the field with as little prudence as fear, so that, notwithstanding the failure of thirty-one out of fifty Banks, between 1804 and 1812, only six years, there were still thirty-three Banks open in 1812.

These adventurers resorted to expedients of all kinds for the purpose of forcing a trade. They supplied small traders with their notes, and used to pay a premium to get them into circulation. The Bankers themselves were in the habit of attending markets and fairs like so many hucksters,

each putting off his own commodity as best he might. Their favourite issue was not promissory notes, but post bills, at ten days' sight, which, being generally unaccepted, were paid, if at all, at convenience. But the mischief did not rest with the multitude of Bankers. Besides the fifty private firms already spoken of, there were as many as 295 petty dealers and chapmen, grocers, spirit dealers, apothecaries, and shopkeepers of all sorts, inundating the country with a species of I. O. U., called silver money, which was a direct violation of the law, and ranged in nominal amount, from three-pence-halfpenny to ten shillings. This fraudulent paper was principally spread over the south and south-west of Ireland, which further suffered under an enormous distribution of forged notes, the un-lettered population being, in that respect, easily imposed upon. In the north a more cautious and better informed people eschewed these evils for some time, and insisted upon a circulation of guineas, which they amassed, and retained to a large amount until the suspension of cash payments by Act of Parliament, and the tardy introduction of Banks into Belfast, so recently as the year 1808, gradually drove all gold out of the country.

At this period, 1804, guineas bore a premium of ten per cent., and the rate of exchange was 17*l*. 12*s*.,

or *9l. 5s. 4d.* against Ireland; but though formal censure and public exposure were tried, they failed to mitigate the exorbitant evils which the Bank monopoly continued to engender. The Report of the Committee, already quoted, exhibited, in the most direct manner possible, and upon the most unexceptionable authority, the abuses committed by the Bank of Ireland, up to that period, in the manufacture of paper money; but the Bank, instead of taking the reproof as a warning, acted upon it as an encouragement to persevere, and nearly trebled, in the short term of sixteen years, the sum of the mischief it had been denounced for producing. In 1810 its circulation rose to more than 3,000,000*l.*, and there was a panic; in 1820 it exceeded 5,000,000, and there was another panic. Then began an accumulative series of those rapid failures which seem to be known to no other country, and which spread indescribable calamity and consternation over the whole surface of the island. In the month of June the Banking firm of Roche and Co., of Cork, failed; and on the same morning, that of Leslie and Co. suspended payment in the same city. By the next Saturday, Messrs. Maunsell, of Limerick, had closed their doors. These embarrassments were quickly followed by the stoppage of Messrs. Riall, at Clonmel;

Sause, at Carrick-on-Suir; Newport, at Waterford; Loughnan, at Kilkenny; Alexander, at Dublin; until, within a single month, eleven Banks had broken, and in the whole South of Ireland, as previously stated, there remained open only two houses—Messrs. Delacour, at Mallow, and Redmond, at Wexford[1].

When, to this intolerable load of misfortune, we have added the character of the successive bankruptcies that make it so lamentable, and have shown that the sums for which they took place were generally as heavy as the failures themselves were frequent, we shall have concluded our review of the second stage of Banking in Ireland. For this purpose, it will suffice to refer to a few cases.

[1] Severe as the distress of all classes was, at this juncture, it gave rise to some ludicrous incidents. While it lasted, a gentleman in Cork wanted a leg of lamb, and offered a five-pound note for it, which was refused. In Limerick, a country gentleman, with 1,500*l.* a-year, had sent invitations out for a dinner party the week the Banks broke, and considered himself most fortunate on finding amongst his notes one Bank of Ireland note for ten pounds. No one doubted the goodness of the note, but no one could give change for it. Ten pounds, in gold or silver, were not in the county; and as for credit there was none to be had. In this extremity, with money—which was not money—and without credit, having tried butcher, baker and confectioner, in vain, the gentleman gave up the idea of his dinner party in despair, and wrote to his friends to keep the engagement standing until—he could procure cash or credit for a ten-pound note.

Wakefield relates, that the debts of one of the Banks at New Ross, the population of which must then have been under 4,000, Messrs. Colclough's, came to 200,000*l*. According to the same authority, Cotter and Keller, of Cork, stopped payment for 420,000*l*. Sir J. Newport, Bart., when examined in 1826, before the Lords' Committee on the Circulation of Promissory Notes in Ireland, asserted that Williams and Finn, of Dublin, failed for 300,000*l*., without having ever been worth 1,000*l*. Half a million was computed as the sum that would about cover the issues and liabilities of the Messrs. Alexander, of Dublin. The statement of the affairs of the Messrs. Roche, of Cork, was laid before the Committee just mentioned, and affords, perhaps, the most correct exhibition which it is possible to cite, of the series of transactions to which it belongs.

We have now to pass on to the third and last stage of Banking in Ireland; omitting, as altogether uncalled for and superfluous, a single observation to point out how much worse than even the preceding bad state of things, was that which, under the fatal superintendence of the Bank of Ireland monopoly, produced copper and silver notes, I. O. U's, for all amounts; the panics of

1804, 1810, 1814, and 1820; the stoppage of fifty Banks in forty years, and the loss of millions which it is impossible to calculate.

In sketching the rise and progress of joint-stock Banks in Ireland, the Report of the Commons' Select Committee on joint-stock Banks, in 1837, is the principal guide and authority to be followed.

The first joint-stock Banking Company established in Ireland, after the passing of the 6 Geo. IV. c. 42, was in Belfast, where the Northern Banking Company, founded upon a private Bank of the same name, commenced business January 1, 1825. Its establishment, in 1836, stood thus:—it had ten branches, varying in distance from six to sixty miles from the central office. Its nominal capital was 500,000*l.*, in 5,000 shares of 100*l.* each; all of which had been subscribed for, though only 4,889 had been allotted. The paid-up capital was 122,275*l*, produced by three calls, amounting to 27*l.* 1*s.* 8*d.* Irish, or 25*l.* British. No shares had been forfeited. There had been five per cent. dividends paid yearly until 1835, when six per cent. was divided; seven per cent. in 1836, and eight per cent. in 1837; besides a bonus of 2*l.* 19*s.* 1½*d.* per share, in September, 1827; and another, of two pounds a share, in September, 1832. The

deed of settlement, dated August 1, 1824, had been signed by 264 persons. The accounts had been entrusted to the Directors alone, who had never laid a statement of them before the proprietors; the same persons also prepared the annual reports. The notes are made payable only where issued; but, in point of fact, are paid at the head Bank, and all its branches. No post bills are issued. Interest is allowed on accounts current, at the rate of two and a half per cent.; on deposits remaining three months, and not six, two and a half per cent.; and if remaining six months, or upwards, three per cent.

At the end of 1836, the dividend was seven per cent., and the undivided profits 49,590*l.* 0*s.* 3*d.* In 1837, the dividend was fixed at the increased rate of eight per cent.; and there was a net surplus on the year of 4,176*l.* 5*s.* 7*d.*, in addition to the amount of undivided profits just stated. In 1838, the dividend rose to nine per cent., and the surplus on the year's trade was 1,929*l.* 9*s.* 6*d.* In September, 1839, the total surplus remaining, after the usual deductions, having amounted to 53,326*l.* 11*s.* 2*d.*, the dividend was increased to ten per cent., and, at the same time, a bonus of five pounds per share was declared, being twenty per cent. on the

paid-up capital. This left the balance of undivided profits, 28,871*l.* 11*s.* 2*d.*, and the business of the Company still increasing.

The Hibernian joint-stock loan and Banking Company, began business in June, 1825, under a special Act of Parliament. It has no branches; its capital is 1,000,000*l.*, in 10,000 shares, of 100*l.* each; the whole of which were issued: 250,000*l.* have been paid up, in calls of 15*l.* per share, 15th July, 1824; 10*l.* per share, 30th August, 1824; and, December 27, 1825, eight and one-third on the above, to assimilate the currency.

At the half yearly meeting of the proprietors, Dec. 6, 1841, the statement of the property of the Bank set forth, was as follows:

	£.	s.	d.
Assets	423,063	19	10
Liabilities	127,897	1	11
	295,166	17	11
Paid up capital . .	250,000	0	0
Profits and rest . .	45,166	17	11

The report recommended a dividend of 5 per cent. out of actual profits.

The most flourishing of the Irish joint-stock Banks is the Provincial, which began to form its establishment at the end of 1824, and opened its first branch at Cork, in September, 1825. In 1836 it had thirty-three branches, in Ireland, the seat of its management being in London. Its nominal capital is 2,000,000*l.*, in 20,000 shares, of 100*l.* each, the whole of which have been issued, 25*l.* have been paid up on each, with the exception of 411, which were forfeited.

The first dividend, declared in Midsummer, 1826, was four per cent., which continued at the same rate until Midsummer, 1831, when it was raised to five per cent; in 1833, to six; in 1834, to seven; and, in 1835, to eight per cent. The deed of settlement bears date August 1, 1825, and was signed by 692 shareholders. The Bank holds 1,398 of its own shares, but had rarely made advances, solely on that description of property, without taking collateral security. It has no post bills, and its promissory notes are all payable at the respective places of issue. The interest on balances or deposits varies according to agreement, from one to two and a half per cent [2].

[2] Commons' Report, 1837, Appendix I. p. 83.

Besides these details, some further information seems to be desirable respecting the proceedings of a company which, for the magnitude of its business and the consideration it has always stood in, cannot be regarded as second to any similar institution in the sister country. The general sense entertained of the want of such a Bank; the large sum of ready money—300,000*l.*, which was increased to half a million in the course of two years—with which the directors presented themselves to the Irish public; the rank and reputation of the members of the board, which included several first-rate London Bankers, some members of the Administration of the day, and members of Parliament distinguished for their abilities and knowledge of Irish affairs; the politic exhibition of eminent men of different political opinions co-operating cordially for commercial purposes;—all these rare and happy coincidences gave a high value to the Provincial Bank in the eyes of the agricultural and trading interests of Ireland, and drew a proportionate extent of excellent business, which the consistent manner in which its operations have been conducted, has preserved to the present day. In 1827 a very favourable privilege was conceded to it by Government,—the revenue of the Irish excise, stamps, and post-office, being ordered to be paid into its branches

beyond the circle of fifty miles round Dublin, reserved to the Bank of Ireland. In return for this concession, the directors undertook to keep at their branches, at all times, a specific proportion of gold, according to their circulation. Confidential returns of this fund were said to be made, from week to week, to the chancellor of the exchequer for the time being.

This Bank has distinguished itself by the spirit and effect with which it has resisted repeated runs upon its branches, particularly in the years 1828, 1830 (twice), 1831, 1833, and 1836. The severest of these was that in 1828, when the directors sent no less a sum than 700,000*l.* to Ireland in gold. They give cash credits on the Scotch system, and have discounted bills for sums so small as ten pounds and five pounds; though the practice is one they would not encourage. In 1836, 4,000 shares, of ten pounds each, were distributed amongst the proprietors out of the reserved profits; and at the same time the directors took power, not as yet exercised, of issuing 16,000 shares, of ten pounds, in the event of their deeming an increase of capital desirable. The rate at which the business and profits of this company have prospered, may be inferred from the gradual increase of the amount of undivided profits, which, according to the annual

reports, stood, in 1828, at 16,900*l.*; in 1829, at 19,500*l.*; in 1833, at 50,198*l.*; and in 1836, at 124,355*l.*

By the account submitted to the last yearly general meeting of the proprietors, in 1841, the amount of the rest or undivided profits on 28th of March, 1840, was £101,178 6 8

From this sum there has been deducted the amount of two dividends since paid; namely, at Midsummer, 1840, four per cent.	21,600			
At Christmas, 1840, four per cent.	21,600			
		43,200	0	0
Leaving the sum of		57,978	6	8
To which are to be added the amount of the profits for the year ending March 27th, 1841, after deducting all expenses, and providing for all bad and doubtful debts		47,513	10	11
Remains, amount of the rest or undivided profits on the 27th of March, 1841		105,491	17	7

The usual dividend of eight per cent. was then declared.

The Agricultural and Commercial Bank of Ireland, memorable for its misfortunes, and at one time the most extensively-spread company of the kind in that country, commenced business November 2, 1834, and had in 1836 forty-six branches, from fifty-five to one hundred and sixty-seven miles distant from the central or corresponding office in Dublin. Its capital, 1,000,000*l.*, was in different shares of one pound, five pounds, ten pounds, and twenty-five pounds. The total number of shares issued was 257,377, and the total of paid-up capital, 352,789*l.* 18*s.* 6*d.*, in two calls, each of ten shillings per five pound share; and two of five pounds each per ten pound and twenty-five pound shares. These calls would appear to have been made almost at the formation of the company, and to have been paid for generally in one sum, at the time of subscription. The dividend had been five per cent., without variation, up to October, 1836.

These official details give a very imperfect description of the history of the Agricultural and Commercial Bank, which has become interesting, on account of the severe ordeal it has passed through, and the proof it has given of the elasticity

of the joint-stock system, under very trying circumstances. The fact that it had to suspend payment, towards the end of 1836, after having vainly implored assistance from the Bank of Ireland, has already been stated. In 1837, a bill for its dissolution was presented to the house of Commons, at the instance of a portion of shareholders, principally located at Belfast and the north of Ireland, who displayed, in the various efforts resorted to for the purpose of carrying their point, a peculiarly Irish determination, wild and vehement. The Court of Chancery, in Ireland, was concurrently appealed to for the same object; but both applications were unsuccessful; and, after a year misspent in unseemly disputes and unwarrantable litigation, both highly injurious to the reputation of the establishment, and not a little expensive, the directors announced officially that an amount of liabilities exhibited in former accounts, to the extent of 800,000*l.*, had been paid off, with some trifling exceptions, during the year, and that the total remaining assets of the company were 277,071*l.* 14*s.* 9*d.*, leaving the gross loss, consequent upon the suspension of business, 48,812*l.* 5*s.* 3*d.* After this wonderful recovery, the directors began business again, but with no better success than of old.

They were obliged to stop a second time in 1841, and are now understood to be winding up their affairs in the midst of not a little law, originating in outstanding debts to the amount of about 70,000*l.*

The National Bank of Ireland started in January, 1835; and with the Provincial Bank has now the undisputed range of a considerable extent of country. Its original and its present constitution were different. To explain this, it is necessary to observe, that the Bank at first consisted of two bodies, the English and Irish shareholders; the former of whom, when a branch was formed in Ireland, contributed a rateable sum, according to that subscribed on the spot, and drew one half the profits; so that the capital of each branch of the National Bank was a partnership between the English and Irish shareholders, each having a distinct stock. To remove inconveniences found to result from this state of things, the two stocks were consolidated throughout all the branches but two, Clonmel and Carrick-on-Suir; at which the local Proprietors, who having been dividing six, seven, and eight per cent., and adding besides to their reserved fund, refused to distribute the advantages they possess over the whole Proprietary.

The National Bank of Ireland felt the monetary

reverses of 1836, so severely as not to make a dividend in 1837. In 1841, the state of its affairs, reported to the shareholders, was this:—

	£.	s.	d.
Undivided profits at December, 1839	15,538	17	2
Net profits for the year ending December, 1840 . . .	27,744	12	4
	43,283	9	6
Deduct half year's dividend to the proprietors for Midsummer, 1840	10,500	0	0
Ditto for Christmas, 1840 . .	10,500	0	0
	21,000	0	0
Leaving amount of undivided profits at December, 1840 . .	22,283	9	6

According to this account, the net profits of 1840, after defraying all the current expenses, and providing for bad debts, amounted to 27,744*l.* 12*s.* 4*d.*, and after the payment of the increased rate of dividend for the year of six per cent., a surplus remained of 6,744*l.* 12*s.* 4*d.*, which added

to the previous undivided profits, left a total of unappropriated profits of 22,283*l.* 9*s.* 6*d.* to the credit of the reserve fund in December, 1840.

The Royal Bank of Ireland, a discount and deposit Bank in Dublin, commenced business in 1836, and reported in 1841, its paid up capital, 209,075*l.*[3] The profits of the year, deducting expenses and bad debts, were 14,591*l.* 14*s.* 9*d.* out of which two half-yearly dividends of five per cent. per annum were paid. This left a surplus of 4,137*l.* 19*s.* 9*d.* of which 490*l.* 11*s.* 1*d.* was appropriated in part liquidation of "Bank premises" account, and 3,647*l.* 18*s.* 8*d.* added to the reserve fund, which thus amounted to 17,022*l.* The dividend is five per cent. per annum.

There are three joint-stock Banks with head offices at Belfast, and numerous branches dispersed over the country at distances of from sixty to ninety miles. The Northern Banking company, founded on a private Bank in 1825, has already been spoken of. The Belfast Banking company commenced business in 1827, has the same amount of capital and shares as the Northern, and 125,000*l.* paid up. Its dividends have been seven per cent. independent of 20,000*l.* distributed

[3] Produced from 30,000 shares of 50*l.* with 10*l.* paid up.

as a bonus. The Ulster Banking company took the field in 1837, with a nominal capital of one million, in shares of 10*l*. each, on which 204,325*l*. have been paid up. It has divided six per cent.

There is another Bank in Ireland called the Tipperary joint-stock Bank. It is of recent origin. Its proprietary is small, and so is its business. It has three offices; one in Tipperary, one in Nenagh, and one in Carrick-on-Suir. It issues no notes of its own, but discounts with Bank of Ireland paper, of which it is allowed a moderate supply, by special agreement, at the rate of three per cent. per annum.

This sketch shows plainly enough that the general character of Banking in Ireland at present is good. The benefits conferred upon the country by the establishments I have described, are of incalculable value. Ireland suffered much from her private Banks, but she is now gaining considerably from her joint-stock companies, which, as a whole, are very well managed. In the north, manufactures are judiciously sustained, and have been greatly extended by the Belfast Banks. In the provinces of Connaught and Munster the Provincial and National Banks afford liberal and legitimate accommodation to agriculture, and the staple

trade of those improving districts. In Dublin, and fifty miles around, the Bank of Ireland reposes, full of wealth, in the profitable enjoyment of exclusive privileges, without making commensurate exertions to stimulate the industry of the people, develope the resources of the soil, or extend and fructify the operations of commerce, either in that or any other division of the Island.

CHAPTER X.

Gold and silver together the proper standard—Recommended by Locke, Adam Smith, and Ricardo—One Bank of issue a capital mistake—Gold considered as dead stock—New legal tender proposed—Its advantages summed up—Conclusion.

My task is nearly completed. I have thus far sketched the history of the currency, and the progress of Banking in England, Scotland, and Ireland, during the last fifty years. I have given an account of the extraordinary fluctuations, the fatal panics, and destructive failures, by which during that period commerce has been deranged and industry depressed. I have described the different principles and systems of Banking in vogue, one after the other, and the effects produced by them. I have pointed out the comparative merits and defects of private and joint-stock Banking; and I may now, I trust, venture to draw some legitimate inferences from the past, and come to some positive conclusions with regard to the future.

One of my first remarks at the beginning of the volume was, that our currency difficulties did not set in until we had changed the state of things on which Adam Smith founded his doctrines; that state namely which gave the country a paper currency payable on demand in gold and silver. Now I propose to end as I began, and to submit that in that fact lies the root of the evil we have so long been ineffectually complaining of. My fixed opinion is, that we never shall improve our condition to any material extent, or in any permanent way, until we modify our standard, and again make both gold and silver a legal tender. With this it may be politic to couple another observation, and that without delay, lest some of my readers may fly away in terror, imagining that I am about to go the whole hog with Mr. Attwood. I mean however to do no such thing. I am not a man for extremes. The Attwood theory is an extreme —our actual system is an extreme—I am opposed to both.

The modification I propose would be strictly reasonable, because it is perfectly natural. We have received from nature a plentiful store of silver, but have refused to avail ourselves of her bounty. We have gone further, and made a

positive law against the use of it in a large amount. We have declared that it shall not be legal to pay a debt of five pounds in silver, and we have made another law to the effect, that it shall be legal to pay, and compulsory on all creditors to receive payment of a debt of five pounds in a piece of paper, intrinsically not worth as many farthings; and in this we persist, although we know that payment in gold of the Bank notes we have thus made a legal tender, while we have excluded silver, is impossible; and that whenever a general attempt is made to get gold for them, our whole monetary system becomes deranged, and we are reduced to the verge of national Bankruptcy. Not even that one third of the sum of her total liabilities, which by her own rule of what is right, the Bank is bound to have in her vaults, has she been able for the last four years to accumulate. It cannot be denied that if the directors had been allowed to lay in the required amount in silver also [1], the stock of that metal would

[1] In point of fact, the Bank of England, on more than one occasion, has only been able to save herself from stopping payments in gold, by the round about process of exporting and drawing against the silver which, at the moment of her greatest distress, was to be had in abundance in the home market.

have insured an easy fulfilment of the obligation. But we will not suffer this to be done: we prefer difficulty, danger, and extreme suffering to it, because certain political economists have declared the thing to be inconsistent and illogical, and we are so very reasoning and rational a people in all we think, say, and do, that we are prepared to run the gantlet of a monetary martyrdom, rather than incur the reproach of tolerating an incorrect principle.

I am quite aware of the force of the reasoning to which a proposal for two standards of value is exposed; but I know, on the other hand, that Locke, Adam Smith, and Ricardo, agreed in regarding gold and silver together fit and unexceptionable media of exchange. I see, moreover, that they manage these things better in France and other countries than we do here, and I am not above taking a lesson in improvement wherever I find it well taught. Abroad, extreme changes in the relative values of gold and silver are rectified by an agio. I do not see why the same power should not be reserved in this country also, and a premium be chargeable on gold at essential junctures. It would not, I apprehend, have to be often exercised, if a sounder and freer action in money matters was

once set on foot. But if I were called upon to choose between an unlimited and unrestricted right upon the part of all men to pay their engagements either in silver or gold, as they might find most convenient; and a continuance of our present system, so changeable and oppressive, that nothing certain can be predicated of it, but that it is constantly sure to produce mischief of one sort or another, I would without hesitation prefer the double standard. And for this sufficient reason: no difference likely to occur in the market prices of gold and silver could occasion greater fluctuations in the value of property, than those produced by the expansions and contractions of the currency enforced upon the Bank of England by the vicious laws at present in force. On the contrary, experience has proved, that the variations in the price of silver are very slight. There is a return in the Commons' report of 1841, which shows that the price of silver ranged no more than from three-eighths to seven-eighths of a penny in all 1840; and there is another return, in the report of the preceding year, by which it appears that a corresponding steadiness of price has prevailed ever since 1828, with the single exception of three months in 1836, during which there was a decline from 5*s.* 0¼*d.* to 4*s.* 10¾*d.*

per ounce. What is this compared with the variations in the circulation of the Bank of England, which at one time, in 1839, was about nineteen millions and a half, and at another period of the year following was down to sixteen millions seven hundred thousand? In short, England is the only country in the world, except Portugal, in which gold is the sole legal tender, and England is also the only country in the world in which monetary convulsions, heavy falls of prices, and extensive bankruptcies, are calamities which recur so frequently as to constitute periodical results from fixed producing causes.

I take two things for granted: first, that we cannot go on with the Bank of England constituted as it now is; and secondly, that the substitute of one Bank of issue, which has been proposed as a specific cure for the disorders engendered by the Bank of England, would rather aggravate than subdue our sufferings.

We cannot go on with the Bank of England, because both in point of fact, and in point of principle, it has been too often in the wrong;—1797, when it stopped payment for the second time; 1802, when it depreciated the currency $8\frac{1}{2}$ per cent., and 1810 when it depreciated it 25 per cent.; the years 1782, 1792, 1826, 1836, and

1839, with their respective panics; 1825, when we were within a few hours of having neither specie nor acceptable paper; the drains of gold in 1832, and in 1839, when but for the loan from the Bank of France there would not have been sovereigns in Threadneedle-street to pay a shilling in the pound—these are the facts which forbid us to think of retaining the present constitution of the Bank of England. The discordant doctrines maintained and enforced by different sets of directors, equally tend to shake our confidence in the wisdom of such a governing body. At one period its heads contended that they were not bound to look to the foreign exchanges when issuing their notes; at another they were satisfied that those very exchanges afforded the only safe rule for regulating their issues. The discounts of private paper, according to Messrs. Harman, Dorrien, and Haldiman, are the proper means for managing a paper currency, and the worst according to Messrs. Horsley Palmer, and Norman. In 1832, a scheme of gold and paper kept in certain proportions, was proclaimed to be a certain safety-rule of management, but in 1840 was admitted to have its weak points, and not to be what had been pretended.

Place these under whatever head you please in

the calendar of error and misfortune, they have occurred too often, and proved too heavy, to be borne any longer with indifference. The idea of removing them by creating one Bank of issue only, appears in my view of the case a capital mistake, easy of detection, and by the simplest process. The object is to lessen the frequency and intensity of specific evils which have been pressing upon us for some years past, and for this purpose it is seriously proposed to increase the rigor of that very condition which is at once the source and seat of all we complain of.

A slight reference to the course of events will demonstrate the correctness of this observation. In 1832 Bank of England notes were made a legal tender, for the express purpose of economising the use of gold, and keeping a sufficient reserve of that metal at all times in the country. This was the intention; and how has it been realized? As an Irishman would answer—the other way. Within no period of the same length, since the resumption of cash payments, has gold been so often run for, the drain of it so heavy, and the stock so low, as from 1832, when the legal tender clause was sanctioned, down to 1841. We had been badly off before, but we have been much worse since. To my mind it is

not difficult to account for this: we have been proceeding for some time past upon an erroneous principle; we have been pushing the policy of economising the use of gold to extremes; we have been straining to secure all the advantages derivable from a gold standard, and, at the same time, resorting to numerous expedients for the purpose of rendering the use of gold as infrequent and unnecessary as possible. This was a double policy, and far too refined for practical success; with the one hand we made it desirable that gold should reach us, and with the other we sought to render its presence superfluous and unprofitable. The end of all this has been an involved and complicated state of things, so vexatious, precarious, and distressing, that we must get rid of the whole system altogether, or we stand but an indifferent chance of enjoying security or attaining durable prosperity. We have become extremely artificial, and have so refined upon refinement itself, that one half the property of the country is unsubstantial, and often exists only in name.

Banking is not exempt from the general law of business. Whoever embarks in that career requires the possession of property, and that property he is expected to invest in his business. He may trade on credit; but if he does, he is

less independent than he would have been in the other case—he has double tides to work. The wholesale merchant, foreign and domestic, the manufacturer, and the shopkeeper, are all bound by this condition,—they find it necessary, moreover, to proportion the money invested to the extent of the business carried on. I see no reason for exempting the Banker from this general law of commerce: I think that must be an unsound state of things in which a man is allowed to trade upon an artificial process, and without adequate tangible means. A Banker is now encouraged to keep but a small amount of specie by him; all his transactions resolve themselves into and are based upon ready money, and yet he is relieved of all labour and anxiety in procuring specie. The charge and responsibility of that obligation are taken from his shoulders, and put upon the Bank of England. The customers for gold in the market are consequently reduced to a single body; who, if the gold comes, take it in, but confess that they do not conceive it a part of their duty to go out of their way to obtain it. This is an evil. If every Banker was obliged to market for himself, we should soon find our condition amended.

In all modern speculations upon the theory of

money, there seems to me to be this leading error, —we argue of gold as if it was some natural element, the presence of which we can command by a certain process or combination of circumstances: once these have been produced, it is presumed that the object sought will be secured. Some political economists write as if gold could be made to come and go according to some fixed and unvarying law, such as that, for instance, governing the flow of water, which we know will always rise to its natural level, and float without injury objects of a certain weight and form. Modern science, no doubt, has gone far and can do much, but it has its limits; it may suggest improvements in the use of things, but it cannot change their nature. Gold is a commodity, like corn, wine, or wool, and it is nothing else. If we will trade in gold upon the tried principles and fair conditions we find it best to apply to all other articles, we shall not experience more than the average inconvenience and irregularity to which all commerce is exposed. So long as our mode of dealing with gold is different from our mode of dealing with all other things, we shall be sure to create difficulties for ourselves, and shall have no just ground of complaint if we suffer from an

unwise interference with the ordinary course of things.

When Adam Smith remarked that gold in a Bank is so much dead stock, he could have had no idea of the extent to which modern invention has pushed the policy of economising its use. The theory and practice now-a-days upon the subject go far beyond Dr. Smith's views, and produce an effect which he strongly deprecates; namely, a scarcity of specie. The governing idea with most men now is, that gold is a lock-up when you have it, and ruin comes if you are called upon for it, and have it not to give. Let us all, then, agree, they say, to put on the appearance of having it, but endeavour by all means to do without it. Every recent improvement in Banking has gone upon the principle that we should retain gold as a standard, but bring it forward as seldom as possible, and scarcely ever touch it. The perfection of the theory would be a refinement of the thing into nothing, a spiritualizing away of the reality, until gold and no gold became one and the same. Such improvers would make it "small by degrees, and beautifully less," until it had vanished altogether, and ceased to exist otherwise than argumentatively. They would exceed the art of the

modern cabinet-maker, who makes twenty tables out of the log of mahogany which formerly only made one, and goes on veneering and veneering, until it has become a matter of doubt whether there is an inch of solid mahogany in any well-furnished house in London.

Examining the question in this way, I can discover no strong reason to show that a Banker ought to be protected and relieved from the first fundamental principle by which we bind every other man of business. Trading is begun and carried on by converting property into, and always retaining a proper supply of, the stock or commodity to be dealt in. The shopkeeper has his stock of goods, the manufacturer his machinery and the material manufactured, the wine-merchant his wine: to call upon the Banker to provide himself with specie, is only to subject him to an obligation no other trader can escape. As to the formidable assertion that gold is dead stock, I have to observe, that every man must sink something in his business, and further, that all stock is dead when not acted upon. The Cadiz merchant, with one hundred butts of sherry in the docks, which he cannot sell in consequence of a glut or depression in the market, holds so much dead stock while this state

of things lasts. His sherry is his gold, and a portion of it is necessarily unproductive from time to time. It is so with all merchants, and the Banker cannot reasonably claim an exemption from the general law of trade.

Gold has been over and over again laid down, by the common consent of all the authorities upon the subject, to be a commodity itself; and to differ not in its nature or application from any other exchangeable commodity the world uses or knows of. Gold, being a legal tender, must also be a commodity in which the Banker trades; it is his stock and capital, just as corn, wine, tea, indigo, and tobacco are the stock of the merchants dealing in those articles of consumption; and the former cannot fairly claim to be allowed to do more than realize his profit or per centage upon invested capital, as every other trader does. He would be ridiculed who would contend that a corn-merchant could do business without corn, or a tea-merchant without tea. Why not treat the Banker in the same way with regard to gold and silver, when we know that corn and tea, gold and silver, are exchangeable commodities, and a bill of exchange given for corresponding portions of one or the other will differ in no respect. Is it not,

therefore, obvious that they should have no privileges one above another? If a bullion dealer must have bullion, the Banker should not be exempt from holding gold coin as value for the paper he puts in lieu of it. The Banker will probably turn upon me here, and tell me, that if he does not keep gold, he keeps a legitimate substitute in the form of Bank of England notes. I answer, that I blame not the Banker but the system. The substitute I know is lawful, and that is what I object to; because experience tells me that the substitute really does not represent the amount of specie in lieu of which it has been issued, and that if half the men holding notes were to demand specie for them the Bank must break.

Our policy has been to narrow the market for gold, and so to lessen the number and size of the channels in which it shall flow, as to pass through them the smallest possible quantity. The reverse of this, in my opinion, ought to have been done. Gold is never found in abundance, nor is it indigenous in countries the inhabitants of which are numerous, rich, advanced in civilization, and standing in need of numerous and expensive commodities. Unlike other minerals, coal and iron for instance,

it does not abound where there are good general commercial markets, to facilitate its purchase from the resident inhabitants. Geology has gauged the coal stratification of England, has measured its depth and extent, and computed the supply in the bowels of the earth. We are certain that we shall have an abundance of coal to burn in England for centuries to come. But the countries in which gold is found have not been penetrated and examined in the same way. We cannot tell what they contain, nor can we predict with accuracy the quantity they will furnish for any given period. Meantime society is increasing rapidly in numbers and in wealth; every succeeding day gives birth to some new invention for multiplying the products of human labour by simplifying and expediting its details; manufactures are thus extended, trade and commerce quickened, the sphere of all business is enlarged, more money is made, and the want of more specie to represent that money is created. The property of the United Kingdom has been enormously increased during the last fifty years, and the trials and losses we have recently undergone have proceeded as much from this as from any other cause, that there has been no supply of

gold equal to our increased property, while the supply of silver which might have answered the purpose has been senselessly thrown out of use.

Under these circumstances we should seriously occupy ourselves, not in passing laws to make gold scarce, but to create a better market for it than now exists. We should not refuse to accept silver as the representative of our property, seeing that by that means we should sustain the value of all property, and preserve the general interests of commerce from violent fluctuations. To accomplish these important results a few plain enactments would suffice, and I venture to name them.

1. That her Majesty's Mint should be managed by three commissioners, who, like the judges of the land, should be well paid, and removable from office only by an address from the House of Commons.

2. In addition to their present function of manufacturing the current coin of the realm according to the standard fixed by law, the authorities of the Mint should be empowered to issue notes payable to bearer on demand, upon a sufficient deposit of gold and silver of the standard value.

3. Notes of 5*l.* and 10*l.* should be payable in silver only; notes of 20*l.* and upwards in gold.

4. Power might be given the commissioners at those extraordinary junctures which will occasionally present themselves, when the superabundance of silver might happen to be very great, and the scarcity of gold extreme, to fix an agio to be paid by those who required the scarcer metal.

5. Mint notes should be the only legal tender; all Banks should meet their issues either in specie or Mint notes.

I shall enter into no lengthened argument to recommend this plan. All men admit that there should be a reserve of specie somewhere, but there are few who agree in opinion as to the most efficacious means of insuring its presence when it is imperatively called for. I am for dealing with the difficulty by direct means, and in perfect good faith. I contend that we have been shirking it too long, and have only added to the weight of the burden, by vainly trying for fifty years to shift it from one shoulder to another. I would therefore abandon all indirect courses for the future. Every process that is unnecessarily artificial, is radically vicious and defective, and only calculated to produce disappointment when expectation is most intense, and the demand for relief most urgent. In a word, I would make

sure of the specie required to pay every note put into circulation as a legal tender, and I submit that we should make sure of it by adopting the plan I have just recommended. It is no fair argument to say that the specie would be unproductive in the Mint. It is equally unproductive under the present system in the Bank of England.

Bankers will be the first persons to exclaim against these propositions, because expense will be put upon them if they are obliged to find themselves in gold and silver. But that is one of the principal objects I have in view. I seek to create a general market for gold and silver, and to bring all dealers in those metals to it. It may involve expense, but whenever the cost of procuring gold and silver happens to prove heavy upon a Banker, he will make up for the loss sustained in that respect by charging an additional interest in his rate of discount. A legitimate check will thus be imposed upon over trading and excessive issues. The check, moreover, being applied in this manner to each locality, will always operate equitably. It will not straiten the means of a merchant or trader, in whose department trade is brisk, in order to arrest the career of speculation in quarters where there is no sufficient demand; it will not impoverish the agriculturist in order

to bring the too adventurous manufacturer to his senses; it will leave each branch of industry, and every description of property free to obtain its fair representative as occasion may arise, and it will generally equalize prices and profits.

Persons interested in keeping things as they are may urge against a trial of my plan, that we should be as badly off for the precious metals even though it were adopted as we have been. To such reasoners I reply, that it is natural to expect that the general law of commerce will prove true in this as in other instances, and that an increased market will produce an increased supply. To a certain extent the result I anticipate has been borne out by experience. In the remark from Adam Smith at page 54 of this volume, it is mentioned, that gold and silver became more plentiful in North America since the suppression of the paper currency there. The same thing happened in this country when we returned to cash payments. The Bank of England was no sooner compelled to pay in gold than she accumulated fourteen millions. More recently the United States determined to have a gold currency, and three millions readily found their way across the Atlantic for the purpose.

I respond heartily to the call made by Mr. Jones Loyd in his letter to Mr. Smith of Manchester, but I doubt extremely the virtue of his suggestion for realizing the admirable objects he desires to produce. "Separate," he says, "the management of the circulation, that is, in other words, the power of creating money from Banking business; vest that power exclusively in one body; make all its measures in that capacity perfectly public; let not the borrowers of money, Government and commerce, approach, with their dangerous and seductive influences, the creator of money; but send them, where their application ought always to be made, to the subordinate distributors of it; let the manager of the circulation be raised above all reach, upon a solid throne of gold, and let him once for all drop his superfluous means into the public treasury, and thenceforth remain, like the sun in our system, by one never varying influence, regulating, controlling, invigorating every thing around him, but himself influenced and moved by none."

I echo these sentiments; I would realize these effects, and I submit respectfully but earnestly, that the means I would use for the purpose are much more likely to prove successful than those

devised by Mr. Jones Loyd and the London Bankers. They would have but one Bank of issue, and divide the directors of the Bank of England into two departments, one for Banking, and the other for currency, under the hope, far too sanguine to be ever fulfilled, that by separating the rooms in which their business is done, and assigning part to be done in one room and part in another, there would be a change in the views, actions, and effects of the same body of men. Mine is a much more simple and practicable idea. Mine only is the "solid" throne of gold, for Mint notes would unquestionably express the values lodged against them, and be every one of them convertible at all times into specie. Grant this boon, and the Bank of England charter may be prolonged, and Government and commerce may be allowed to derive from that institution all the services they require and desire to enjoy, and it has a profit in affording. The public will be content to let the parties interested suit themselves in their transactions, when the effects produced by them will no longer be a national concern.

There are two parties to the case, the public and the Banks. The argument and state of things most agreeable to the one is not the best for the

other. Between the two lies the *juste milieu.* The Banker, taught to consider the gold and silver he is obliged to keep in his coffers so much dead stock, seeks to substitute paper for it. The public, sensible that the more paper is current, the more the stock of specie will be diminished, dread a dearth, because they know by sad experience that, when really wanted, it will not be purchasable, and the value of their property and its produce will be proportionably deteriorated. The merit of a wise legislator will accordingly be displayed in avoiding extremes with either party, and providing, that while specie is economized by a sound paper currency, it shall not be exhausted.

FINIS.

Gilbert & Rivington, Printers, St. John's Square, London.

taker and Co. have requested Mr. Collier to draw up a Pamphlet on the subject, in which will be found much curious and new information relating to the Plays and Poems. A Second Edition of this work is just issued, under the following title :

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